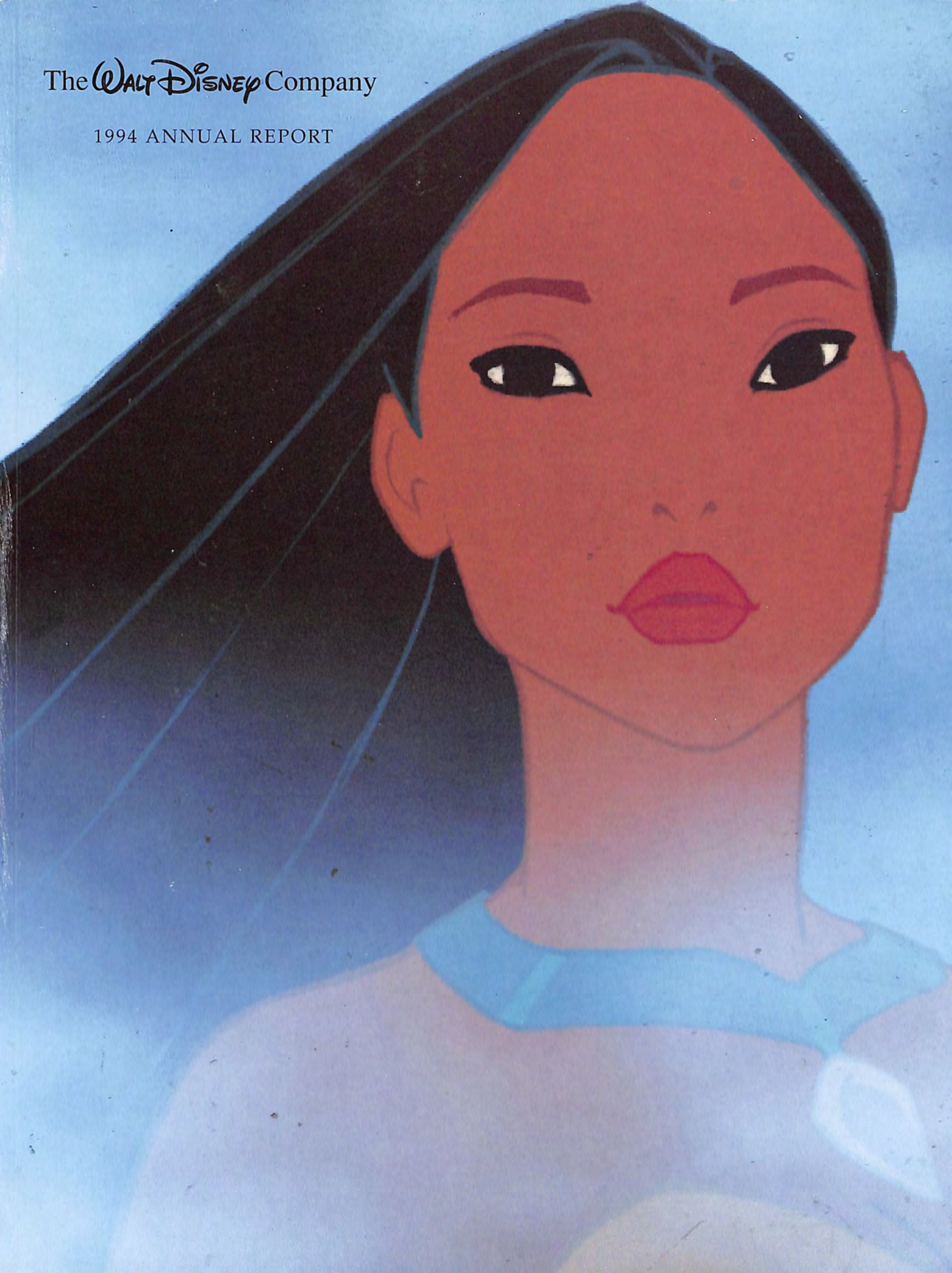


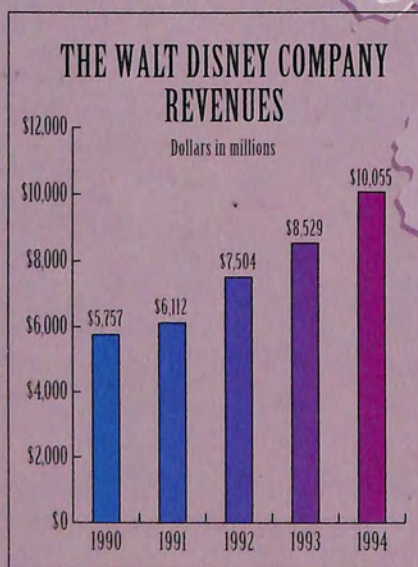
The **WALT DISNEY** Company

1994 ANNUAL REPORT



FINANCIAL HIGHLIGHTS

(In millions, except per share data)	1994	1993	Change
Revenues	\$10,055.1	\$8,529.2	+18%
Operating income	1,965.7	1,724.5	+14
Income before cumulative effect of accounting changes	1,110.4	671.3	+65
Net income	1,110.4	299.8	+270
Earnings per share before cumulative effect of accounting changes	2.04	1.23	+66
Earnings per share	2.04	.55	+271
Return on stockholders' equity			
Before cumulative effect of accounting changes	21%	13%	
After cumulative effect of accounting changes	21%	6%	
Cash flow from operations	2,807.3	2,145.2	+31
Stockholders' equity	5,508.3	5,030.5	+9
Book value per share	10.51	9.39	+12



In 1994, The Walt Disney Company reported record revenues that grew 18% over the prior year and surpassed \$10 billion for the first time.

On the cover: POCAHONTAS, heroine of Disney's next major animated feature scheduled for release in summer, 1995.

T o Disney Owners and Fellow Employees:

Thanksgiving Day 1994 and I am starting to write my annual letter, which I am finding particularly difficult this year. It has nothing to do with the performance of your company but with how to sort through all the changes that have taken place in 1994.

This was the year Frank Wells and I were going to celebrate our 10 years of Disney management. Instead all of us had to deal with continuing to manage without Frank. The loss of Frank Wells in a helicopter crash on Easter Sunday was a horrible exclamation point during a tragic year that began with the highly disruptive Los Angeles earthquake in January. Frank and I were a close team, working together every day. When I had emergency quadruple bypass heart surgery in July, Frank would have accused me of excessive theatricality, showmanship and risk taking. But this morning he would have been right beside me when I ran three miles through the Vermont woods to further my recovery. I wish he had been there.

I recently had the opportunity to address Disney cast members in the Burbank area, and among the

topics I covered were the shocks and distractions Disney endured during 1994.

I guess it really started with the Los Angeles fires in the fall, then the earthquake in January and continued through the tragic loss of Frank in April,

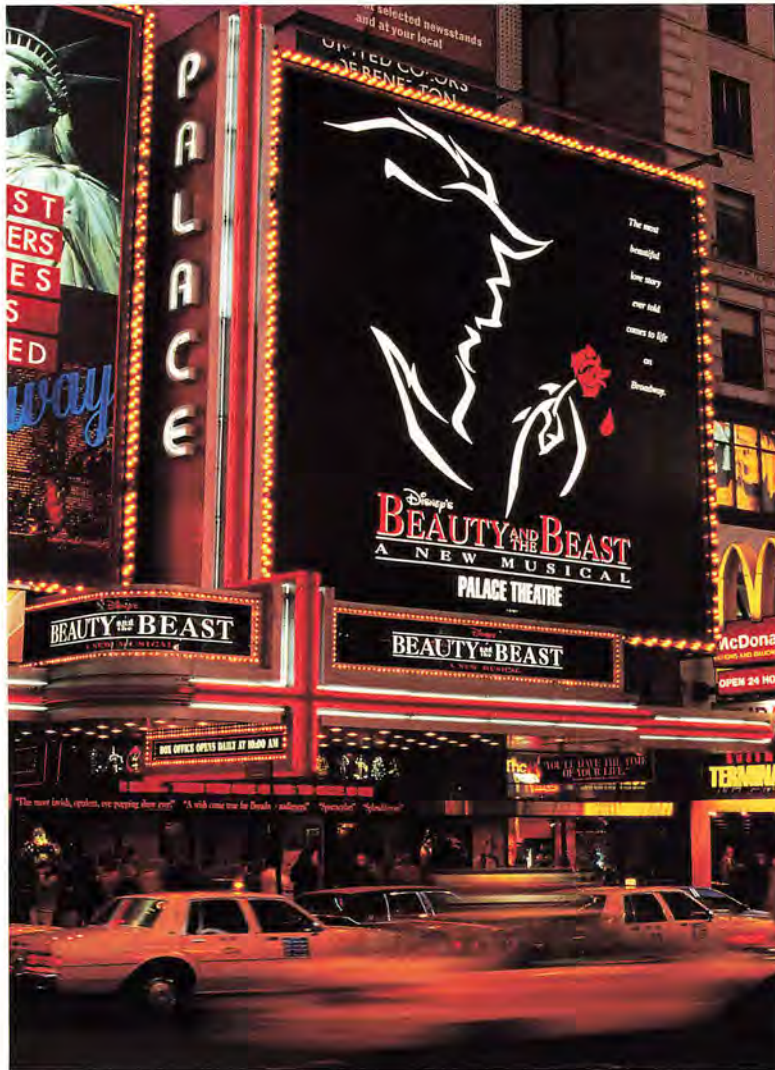
my surgery in July, the death of one of our Board Members, Sam Williams, and the major reorganization of our filmed entertainment group in August.

A hectic year...all accompanied by a storm of media coverage. But during all this unrest, The Walt Disney Company showed fantastic strength. During all these events, all these devastations, all these uncertainties, the strength of our products and projects prevailed and our 65,000 cast members excelled. And these strengths created the biggest year in our history.

The media coverage could have been predicted. When Frank Wells and I first came to Disney in September, 1984—slightly

more than 10 years ago—one of the first things we learned is that when you work at Disney, the entire world is watching. All the time.

When we do good things, spectacular things, like *The Lion King* or the new Twilight Zone Tower of



It was standing room only for most of the year following the spring opening of Disney's *Beauty and the Beast* stage musical in New York. Beginning in 1995, *Beauty* will open in Los Angeles and five overseas cities: Melbourne, Vienna, Cologne, Tokyo and Osaka.



Michael D. Eisner, chairman and chief executive officer.

Terror at Walt Disney World's Disney-MGM Studios, the world marvels and praises.

But when we release a disappointing movie or make a decision some find questionable, we get criticized with equal intensity. Because we are followed and watched so closely, our flaws are magnified, and Disney-watchers everywhere are quick to let us know their feelings. Whether we like it or not, because we are Disney, we are held to a higher standard. But that is appropriate.

One area in which we have not been our best in the past few years is the live-action film business. Thankfully, our Miramax division under Harvey and Bob Weinstein has been a bright spot in this area, and I sense now that things are beginning to turn around with the huge success of Tim Allen making his big-screen debut in Walt Disney Pictures' *The Santa Clause*. Of course, our animated features, including the phenomenal *Lion King*, have continued to be roaring successes during the past few years. Roy Disney, Peter Schneider and Jeff Katzenberg are to be congratulated.

When Frank died, I made the decision that I would assume his duties, drawing heavily on the support of key executives. Frank was an unusually talented man, capable of functioning across a broad spectrum of corporate responsibilities. One of his special skills was the ability to recognize and develop other people's talents. As a result, in his absence, I have been able to call upon several executives, each highly capable in specific business skills and specialties. Sandy Litvack was invaluable after Frank's death and irreplaceable after my surgery. He is now chief of corporate operations for the company and works closely with Larry Murphy, executive vice president of strategic planning and development, and Richard Nanula, our chief financial officer.

Following Frank's death, I became convinced that it was time for a reorganization involving major areas of the business. This was something Frank and I discussed a great deal, and Jeffrey Katzenberg's decision not to renew his contract expedited those changes. Jeffrey has decided to start his own firm,

which I know will be successful. He is a gifted executive with unequalled energy. His spirit and enthusiasm stay with us, but his presence moves on. We wish him well.

In August, we reorganized the former Disney Studios operation into three separate groups.

One of the new units is Walt Disney Motion Pictures Group, which has the worldwide responsibility for development and production of all live-action films and marketing and distribution of all Disney films. The group will also have coordinating responsibility for Miramax Films, Hollywood Records and Disney stage productions.

We were extremely fortunate to be able to turn to Joe Roth, formerly chairman of Twentieth Century Fox and Caravan Pictures, to head this new live-action group. Joe, who is now chairman of this unit, is widely regarded throughout the industry as one of its most discerning and effective filmmakers.

Rich Frank, who was president of The Walt Disney Studios, has been promoted to chairman of the new Walt Disney Television and Telecommunications Group, the second of our new organizations.

This group has responsibility for all of our television operations, international as well as domestic, home video, and new technologies, including interactive software as well as special ventures in connection with the so-called "information superhighway."

Yes, there will be new communications avenues into the home, school and offices in the future, and Rich and those who work with him will make sure Disney will be there.

The third new group is Feature Animation. Roy Disney and I will have overall responsibility for this all-important division, which will continue to be run by Peter Schneider and his fantastic management team headed by Tom Schumacher. Animation is the most unusual group of team players in any creative enterprise. We have more than 1,100 creative people working together to achieve a single expression. No football team, no baseball team, no political party or fraternity or church group, no hockey team or choir or orchestra could have a team that displays the excellence and camaraderie that our animation group of artists, story tellers, engineers, computer artists, musicians, lyricists and executives does.

With all of the adversities, with all of the changes taking place, one might suppose that 1994 has been a complete business disaster. Nothing could be further from the facts.

In a pure business sense, 1994 has been an

especially successful year for the company. Once again, we reported record revenues and earnings, with revenues climbing 18 percent, operating income 14 percent and net income 25 percent. This year's net of \$2.04 per share compares with \$1.63 per share before Euro Disney reserves and the cumulative effect of accounting changes in fiscal 1993.

Overall, some very healthy numbers.

More important, though, these results say to the watching world that Disney is stronger than most have given us credit for, that we can withstand all kinds of adversities and still produce the financial results of a winner. They prove that Disney is far bigger than any star player, any single individual, that there are many and varied weapons in our business arsenal, and that we are not dependent on any single segment of our business.

Our strength, in fact, is in the resilience, talent, creativity and toughness of our people and in our depth of management.

During the past year, Disney has been number one at the nation's box office. Also during the year we've had the number one movie in the country, the number one album on the charts, the number one network TV show of the year, the number one show on Broadway, a number one non-fiction bestseller and the six best-attended theme parks in the world.

Our critics did not stop us. Frank's death did not stop us. My heart surgery did not stop us. Our studio reorganization did not stop us. We met our goals.

We have grown the Disney company while maintaining the special values, integrity, uniqueness and quality that have been Disney hallmarks through the years.

As a result, our business today is totally different from the business Frank and I found when we came to Disney 10 years ago.

Today we are a \$10-billion corporation, compared to revenues of \$1.7 billion in 1984. Today we are a truly international company with revenues from overseas markets 17 times greater than 10 years ago. (See *Disney Goes Global* section, pages 20 to 29.) We are in many more different businesses than in 1984.

Today, we have close to 350 Disney stores in nine countries, publish many dozens of books and magazines around the world, have the Disney-MGM Studios, Hyperion Publishing, the Disney Vacation Club and Disneyland Paris Resort as well as 15 additional resort hotels with more than 16,000 rooms. These are all new since 1984. That's not to mention our television operations here and abroad.

When Frank and I joined Disney, the company was no longer in the television business at all, except for the tiny Disney Channel startup. Today we are a TV industry leader throughout the world. And The Disney Channel, under the leadership of John Cooke, will have grown its number of subscribers from one million when we arrived here to 10 million as of the end of calendar 1994.

Ten short years...

The one thing we have done consistently is change. In the past six months, we have gone through the most noticeable series of changes since I arrived here a decade ago.

The growth that we have enjoyed since 1984 will continue, and we as a company will continue to change and evolve and take risks and blaze new trails as we move forward.

It may seem easier for our life to remain constant. But change, really, is the only constant. We cannot stop it and we cannot escape it. We can let it destroy us or we can embrace it. We must embrace it.

For an organization such as ours, change is the engine of growth and the muse of creativity. Change is the force that causes us to take a look at the familiar in new ways. Change drives us out of our comfort zones and forces us to rearrange our thought patterns. Change makes the adrenaline kick in and motivates us toward achievement.

Our results in 1994 prove that we know how to seize change and how to start and grow new businesses.

A major achievement for Disney in 1994 was our successful reorganization of the financial structure of Disneyland Paris. This was an incredible undertaking, which involved convincing 63 banks from many nations of the world to participate with

us in a new rights offering while deferring near-term interest payments. This rights offering and other concessions granted by us and the lending banks have taken a great deal of pressure off the management at Disneyland Paris, and as the European economy continues to emerge from its deep recession, we look for increasingly better results from that part of the world.

So let me say it one more time. 1994 may have been a rough year personally for many of us, but thanks to all of our cast members, we

battled back every step of the way to chalk up a year that was a winning one. When I became sick, it was the cast that kept it all going. Between my sons, my wife and our employees, I never felt vulnerable. The cast kept Disney going, my sons kept my wife going, and she made sure I kept going. As I was rolled into surgery, my sons and my wife simply assured me all would be fine and of course they were right. And by eight the next morning, while I



Main Street, Disneyland Paris, was the starting point for the final leg of the 1994 Tour de France.

was discussing my medical press release with Sandy Litvack, Michael Ovitiz (the very famous agent and chairman of Creative Artists Agency but better known around my house as one of our closest friends) was making sure the right veins and arteries were tied to the right part of my heart. And then he took my phone away from me and told me Disney had plenty of gifted employees who would be better served if I rested.

Our company is blessed with many talented executives. Along with our cast members, they deserve the credit for the continuing success of The Walt Disney Company.

They are not only keepers of the Disney vision, but architects of its future. I am proud of them and deeply grateful for the courage they have displayed in overcoming the very real distractions of 1994.

With Frank's death, it did not make much sense to celebrate my tenth anniversary with Disney this past September, but I did spend some time thinking about the future. Where am I going to spend the next 10 years?

- At WDI with Marty Sklar, the most exciting place to wander, to drift, to be stimulated, to create, to play...

- At Animation with Peter Schneider and Roy Disney and the ultimate creative force and group of people who I know will lead me on new adventures...

- At our parks with Judson Green, to play and build and market and play some more...to work with Al Weiss who was just made executive VP of Walt Disney World...to strategize with Paul Pressler who has just been made president of The Disneyland Resort...

- At the movies with Joe Roth and his gang of executives making the best, most entertaining and intelligent movies in our history...

- With Rich Frank and the world. Who knows where we will go in telecommunications, but we will be there as a Disney force. We will be there in domestic television with Dean Valentine and overseas with Etienne de Villiers. We will be there in all of Europe and Asia and Latin America...

- With our Consumer Products folks...from Bo Boyd to Dennis Hightower in Europe to John Feenie in Asia to Steven de Kanter in South America to a Disney Store manager in Columbus, Ohio...from an interactive storyboard presented by Steve McBeth to a plush Mickey and back again...

- And certainly to dream with Richard Nanula, our gifted 34 year-old CFO who now moves over to head the Disney Stores...to dream about expansion all around the world...

- With Peter Rummell and his Disney Development people participating at a meeting with some of the world's foremost architects about our Disney Vacation Club before moving on to the restoration of the New Amsterdam Theater on 42nd Street, New York, and to the sparkling new city of Celebration and the Disney Institute in Florida...and even an ice rink in Anaheim...

- With Philippe Bourguignon and Steve Burke in Paris...to market and publicize and vacation in the greatest destination resort in Europe...

- And finally to organize, to analyze but not jeopardize in devising strategies in the acquisition arena with Larry Murphy and our planning group.

And so for the next ten years I am going to:

- stimulate this organization toward greatness while being fiscally prudent;

- excite this organization toward innovation while being practical;

- cheerlead this organization to be spirited, moral and inspired while still having a good time...and watch my sons grow up as decent individuals who call home often...all the while exercising 45 minutes a day and eating non-fat non-cholesterol food.

In closing, I want to thank all of you for your encouragement and support during a period in which we have been tried, tested and tempered. I assure you that your company and its management are stronger for the experience.

And to Luanne Wells and Briant and Kevin, let me say simply: your husband's and father's impact on this company will never disappear.



Michael D. Eisner
Chairman and CEO
December 2, 1994

ON SUNDAY, APRIL 3, 1994
THE WALT DISNEY COMPANY
LOST ITS PRESIDENT,
FRANK G. WELLS,
IN A HELICOPTER CRASH NEAR
ELKO, NEVADA.

ON MONDAY, APRIL 11,
MORE THAN 4,000 PERSONS,
INCLUDING FAMILY, FRIENDS
AND ASSOCIATES OF FRANK,
GATHERED AT A MEMORIAL
PROGRAM TO PAY TRIBUTE TO
HIS MEMORY.

THE ACCOMPANYING TEXT IS A
REMEMBRANCE OF FRANK
OFFERED BY
MICHAEL D. EISNER,
CHAIRMAN, AT THAT
MEMORIAL.

There are some griefs so great that they have to be shared. Likewise, there are some joys so overwhelming that they should be shared too. And while we all grieve Frank's death, we all share the joy of having known Frank.

That is why we are here today.

To remember...to remember and celebrate...to pay tribute to one man and the magic he shared with us during his full and creative life.

The songs and music you have heard...and will hear today...are not the songs and music of sorrow or death. They are the songs Frank Wells enjoyed during his lifetime as well as songs from some of the more successful films with which he was associated. Most of them are happy, upbeat, positive...characteristics that also describe Frank's outlook on the world.

And for those of you who heard Frank singing them, from "Oh, What a Beautiful Morning" to "A Whole New World," it was quite an experience -- enthusiasm coupled with an utter absence of talent. Frank was a man who wanted to not only climb every mountain but sing about it.

The people who will share their memories of Frank with us today are people who were close to Frank, people he valued and people who valued him. They represent the many facets of his life...family, law, business, entertainment, sports, the environment, mountaineering.

These were Frank's passions and he pursued them passionately.

If we had invited everyone who wished to share their remembrances, this tribute would have run well into the night and beyond.

So we invited a few, to be inspirational, to be candid, to be honest, to be funny and real, to be enlightening, to be thoughtful, but to be brief...because Frank hated long meetings.

Before I get too far along, I want to express our appreciation to all of you for coming here today. Hundreds of you have traveled thousands of miles to be here, from Disneyland Paris, from the Oriental Land Company in Tokyo, from Orlando and New York and Atlanta and China and Sacramento and Washington...and from other places around the globe.

I am very pleased. Of course, Frank would have been very embarrassed. I am an expert on Frank...I spoke more often with Frank than any other single person over the last ten years. Luanne and Briant and Kevin and his mother Betty and his sisters and brothers and in-laws and nephews and nieces lived and played with Frank. But I talked and met and thought with Frank from sunrise to sundown -- no, from sunrise to sunrise -- almost every day of the year.

Over those ten years, we never had a fight, never had a misunderstanding, never had as much as a disagreement.

I was never angry with him--until last Sunday.

And I was angry at Frank because he was not around to help me deal with this difficult situation.

I am not angry anymore. I just miss him.

On the Friday before Frank died, the last time we

were together, Frank was in a wonderful frame of mind. On that day, we agreed that he would continue another seven years at Disney. Of course, Frank did not have the disposition to ever retire. The thought of Frank stamp-collecting does not ring true. We were to have finalized the arrangements the following Monday, a week ago today.

That Friday Frank was in excellent spirits. He had successfully spearheaded the negotiations which led to the financial reorganization of Euro Disney. The new Euro Disney management was firmly in place and a new business plan was being successfully executed. He was proud of the role he played, and he certainly had every right to be.

I don't know when I first met Frank.

I really had not known him except for meeting him from time to time at industry luncheons and the like. I was at ABC, then Paramount...he at Warners. My impression was that he was sort of a businessman, a Phi Beta Kappa, Rhodes Scholar, student leader, ROTC, jock, WASP, good looking, lawyer whiz, who knew Clint Eastwood and who had a beautiful and intelligent wife and two great sons. The only thing we had in common was I also had a beautiful and intelligent wife and great sons.

We together, he the businessman-athlete, me the whatever, arrived at The Walt Disney Company in October 1984 and the first thing we decided to do was to scale the Matterhorn together. It was a really rough trip. He practically knocked himself out four times on the way up...and this, mind you, was inside the Disneyland Matterhorn, bumping his head, struggling and awkwardly climbing up the stairs. I was bemused to say the least.

I asked him later what sport he had excelled in to earn his Rhodes scholarship. He told me that had been a problem. He had darned near drowned learning to play water polo. But he was going to be a Rhodes Scholar and nothing would stop him and he knew he had to be an athlete.

But make no mistake about Frank's scholarship. He graduated number one in his high school, number one at Pomona, all time number one in grade point average ever in his Army ROTC battalion and number two at Stanford Law. Frank was really a hard worker. What rankled him was the guy who was number one at Stanford never cracked a book. And when I asked him how he scaled six of the highest mountains in the world, he said, "perseverance, energy, will power, attitude, and ignorance."

No, Frank Wells was not a suit. He was the opposite of a suit. Frank was an adventurer. We all know that but he was also an adventurer in the office. He climbed corporate mountains. He skied corporate virgin trails. He rafted in all sorts of rapids.

He even took his mother along on real rafting trips, which caused enormous problems for me. My mother also wanted to go on one of these outdoor trips. I invited her to go with Frank anytime she wanted.

Fortunately for Disney, he was that buccaneer in the

office. He was a sounding board who was willing to go for it, to take the risk. Frank was two feet off the ground as I was just getting out of the chair. He was a lawyer who wanted to make the deal, not break the deal.

More than anyone I have ever met, he was willing to embrace the most creative and theatrical ideas.

And you always knew that whatever advice he gave came without prejudice. He was a man who was unfettered by jealousy, competition or personal politics. Of course I couldn't believe he was real, not here in Hollywood. He must have had a personal agenda. Encouraging me, insisting I host a TV show, cheer-leading me into writing the Annual Report in my somewhat awkward style, putting swans and dolphins and dwarfs on buildings, hiring daring architects, naming a hockey team "The Mighty Ducks"—and a million other outrageous things. Encouraging me, prodding me on, giving and adding to these theatrical impulses. What was he about? Very simple—he was smart and selfless. That's all.

And his personal agenda was the company's agenda.

Frank taught me the meaning of philanthropy—I mean real philanthropy. I remember when both of us were considering our financial affairs. Frank talked endlessly about how he would spread his good fortune to people and causes. For the first time I witnessed a real giver, someone who wanted very little for himself but loved giving it to others. Let me be clear. Many people are generous. I have never met anybody, however, who enjoyed it more than Frank.

It would be hard to find someone so selfless, so self-effacing and such a team player as Frank. I will never forget when Roy Disney and Stanley Gold put us together to discuss coming to Disney. Being a little cocky, I suggested I become CEO. Without hesitation Frank said okay. I was stunned. "Did you say yes?" I asked. He said, "yup" and that was that. From that moment on I knew he was special.

We discussed that moment many times over the next decade. I asked him why he had been so agreeable. Frank simply said any disagreement at that point would have kept us from getting off on the right foot. This was a man beyond my experience.

Most importantly, Frank Wells was a man who held a moral compass that was always true. You always got a clean mind out of him.

I always knew that every minute of every business day he was out for the interest of The Walt Disney Company and his family...so whatever critiques or criticism came from him came from the right place.

You don't become a Phi Beta Kappa or a Rhodes Scholar without reading every great philosopher throughout the ages. From Schopenhauer to Strindberg, from Shakespeare to Stanislavsky, from Auden to Woody Allen, he knew them all—but only a Frank Wells would carry around a white crumpled up piece of paper



Frank G. Wells 1932-1994

from a fortune cookie for thirty years. His son Kevin pulled it out of his wallet on Tuesday. It said, "Humility is the final achievement." I wish I had known about that paper. I would have had the Disney commissary serve, with all meals, fortune cookies. Whether Italian or French or American or even Chinese.

Everyone who knew and worked with Frank will tell you an endearing and amusing story about some strange place he fell asleep.

Sleep was Frank's enemy because he got up so early to run with Stanley Gold and he worked so late every evening. And he traveled and traveled.

Frank thought that sleep kept him from performing flat out 100% of the time. There was always one more meeting he wanted to have. Sleep, he thought, kept him from getting things

done. He fought it constantly. But from time to time it conquered him. He occasionally dropped off to sleep for a minute at odd places. We all smiled when some young executive made a presentation to him at the end of a day in a dark room.

When Frank and I both toured Walt Disney World in 1984 for the first time and were trying to make a good impression but were exhausted from long hours of meetings and tours, it finally got to the point that Frank would come out of those dark rides...asleep.

However, somehow when Frank was asleep, he still knew what was going on...God knows how! And when Frank was not asleep he was a dynamo in every facet of his life, giving of himself generously...as businessman, adventurer, philanthropist, environmentalist, husband, father...But sleep, Frank's enemy, finally won. As it always does. For all of us.

I am proud to announce today that in honor of Frank, we are establishing the Frank G. Wells Award to be given every year at The Walt Disney Company's American Teacher Awards. These awards honor America's outstanding teachers. In the next decade, I believe they will be as important in their field as the Academy Awards are to the motion picture industry.

I had dinner with a close friend last Wednesday who said Frank's life was a lesson, and that he was going to revisit the way he lives his life because he wants his children to remember his character and not his accomplishments.

It made me realize that Frank was a teacher to me and to others.

So this new Frank G. Wells Award will go to that individual outside the teaching profession, whose life of civility, compassion, integrity, humility and respect for all humanity provides a compass for human behavior as Frank Wells did. In essence, such an individual is a teacher by example.

Ultimately, there are no words to express my sense of loss.

I have lost a dear and generous friend.

I miss him terribly.

Fiscal 1994 was a year of contrasts for The Walt Disney Company. While it was a year of artistic and financial success, it was also a year of great sadness as well.

It was a year in which the company lost President and Chief Operating Officer Frank G. Wells, who died in a helicopter crash in early April, and Director Samuel L. Williams, who passed away following a heart attack in late July.

While the impact of Frank Wells loss was especially great in light of his full-time leadership role, the company pressed forward, producing record revenues and earnings for the year.

One of the major contributors to the company's success was the spectacular performance of *The Lion King*, which quickly became the top-grossing film in the company's 71-year history. Following its opening in June, it rapidly out-distanced *Aladdin* as the industry's highest-grossing animated film of all time. By September, it had passed \$267 million in North American box-office receipts.

Because of its overwhelming success, the company decided to extend *The Lion King's* reach into the lucrative holiday season, withdrawing the film from theaters just before children returned to school and re-releasing it in time for the year-end holidays. When final worldwide box-office results are tabulated sometime in 1995, *The Lion King* will have become one of the five top-grossing films ever screened.

Consumer Products continued to generate record profits. The Disney Store in Paris became the top performer among the 324 locations in operation by the end of fiscal 1994. On August 25, more than 5,000 people thronged the preview of Disney's Barcelona store, the first in Spain. Another Spanish outlet opened a month later in Bilbao.

The theme parks and resorts segment, while continuing to grow and expand its attractions and resorts, contributed \$684 million in operating income despite a decrease in attendance due primarily to reduced international tourism.

At Walt Disney World, Innoventions opened during the summer at Epcot '94, offering a peek at a fascinating technological future. The Twilight Zone Tower of Terror also made its debut at the Disney-MGM Studios Theme Park, taking guests on a heart-in-the-throat 13-story vertical descent in a "runaway elevator."

Early in fiscal 1995, the company brought *Snow White and the Seven Dwarfs* to home video for the first time, shipping an industry-record 40 million units to retail stores worldwide (27 million in the U.S., 13 million overseas) prior to public release. The video classic was supported by the largest marketing and advertising campaign in industry history. Disney expects the 1937 masterpiece to become the world's all-time top-selling video.

Here are some of the other events that made news in 1994:

FIRST FISCAL QUARTER 1994

October-December 1993

The first Disney superstore opened in October on the Zeil, an upscale shopping walkway in Frankfurt that is considered one of the hottest retail locations in the world. A month later, the two-level Paris store—featuring a "mini-gallery" with a wide selection of cels and other collectibles—was launched on the Champs Élysées.

At Walt Disney World, plans were announced for a major amateur sports facility featuring a 5,000-seat stadium and training facilities for more than a dozen sports at the Florida resort.

Aladdin made its debut in domestic home video during the quarter and went on to sell more than 24 million units over a six-month period. This broke an industry record set a year earlier by another Disney animated film, *Beauty and the Beast*, which achieved domestic sales of 22 million units.

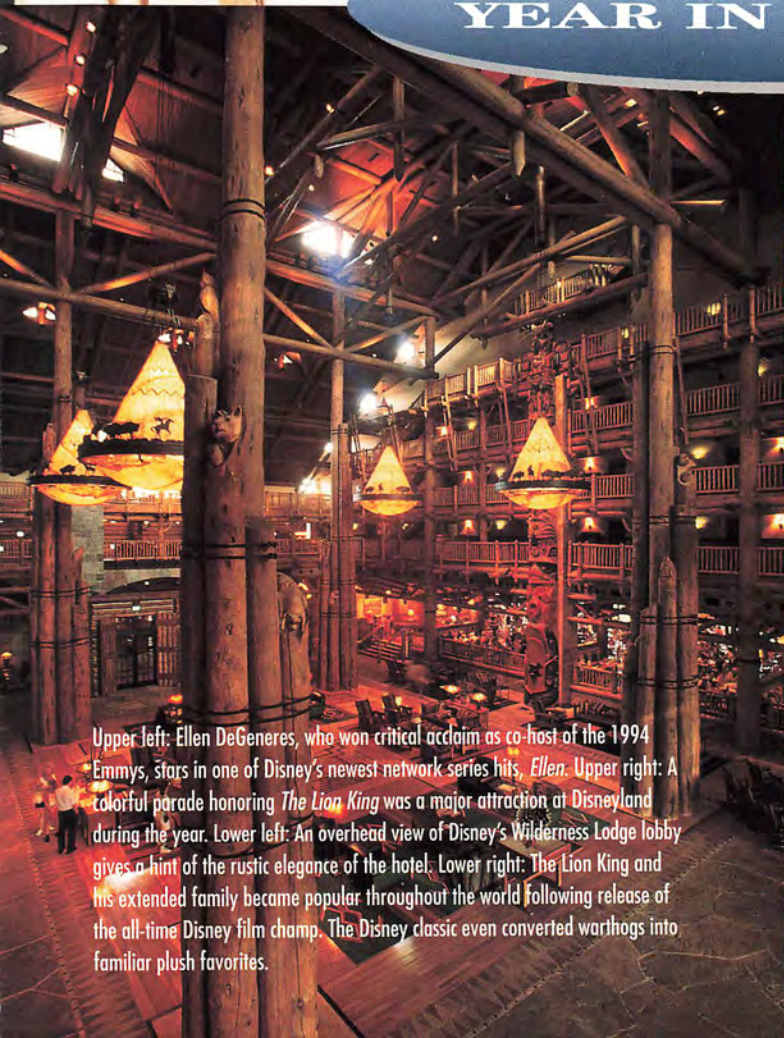
SECOND FISCAL QUARTER

January-March 1994

Disneyland got off to a fast start with the arrival in January of Roger Rabbit's Car Toon Spin, an exciting and unusual black-light ride located in a corner of Mickey's ToonTown.



1994 DISNEY YEAR IN REVIEW



Upper left: Ellen DeGeneres, who won critical acclaim as co-host of the 1994 Emmys, stars in one of Disney's newest network series hits, *Ellen*. Upper right: A colorful parade honoring *The Lion King* was a major attraction at Disneyland during the year. Lower left: An overhead view of Disney's Wilderness Lodge lobby gives a hint of the rustic elegance of the hotel. Lower right: *The Lion King* and his extended family became popular throughout the world following release of the all-time Disney film champ. The Disney classic even converted warthogs into familiar plush favorites.

Home Improvement, from Touchstone Television, finished the season atop the Nielsen rankings. The People's Choice Awards singled out the show and its star, Tim Allen, as the year's favorite comedy series and favorite male TV performer.

Aladdin continued to pile up honors. It collected five Grammy Awards, including "Song of the Year" and "Record of the Year" for the film's score, written by Alan Menken, the late Howard Ashman and Tim Rice.

General Motors and Disney signed a new contract that ensures GM's presence at Epcot's Future World through 2007. The contract also calls for a complete redesign of the existing GM World of Motion Pavilion, including the development of an all-new ride.

Disney Development Company announced the purchase of property overlooking the Pacific Ocean between Newport Beach and Laguna Beach, California, and said it will build a Mediterranean-style resort, including 650 vacation villas as well as dining and retail facilities. The resort is scheduled for completion in early 1997, at which time it will be open to members of the Disney Vacation Club. DDC is also developing other properties for Disney Vacation Club members at Walt Disney World and Vero Beach, Florida, as well as Hilton Head Island, South Carolina.

Domestic home video sales of *The Fox and the Hound* released direct to video without a theatrical re-release reached 12 million copies. *The Fox and the Hound* is now the eighth best-selling video of all time.

The Piano, released by Miramax, earned three Academy Awards: Holly Hunter for best actress, Anna Paquin for best supporting actress and Jane Campion for best original screenplay. Ms. Hunter also received a Golden Globe Award, and several critics' groups also named her best actress.

Early in the quarter, Disney and Ziff-Davis agreed to publish *Family PC* magazine through a joint venture. The periodical, aimed at families with personal computers, set an August date for its first issue.

Disney signed an agreement with the State of New York to begin exploring the refurbishment of the 91 year-old New Amsterdam Theater on 42nd Street. This New York landmark was home to the Ziegfeld Follies from 1913 to 1927 and was the first major art nouveau building in the United States. Under the terms of a memorandum of understanding, Disney will contribute a portion

of the funds for the restoration and assume a loan from the development agency for the balance of refurbishment costs.

Buena Vista Distribution became the first distributor in Hollywood history to have five consecutive releases surpass the \$50-million mark at the domestic box office. The five included films from all three banners of The Disney Studios. They were: *Cool Runnings* (Walt Disney Pictures); Touchstone Pictures' and Tim Burton's *The Nightmare Before Christmas*; Walt Disney/Caravan Pictures' *The Three Musketeers*; Touchstone Pictures' *Sister Act 2: Back In The Habit*; and Hollywood Pictures' *Tombstone*.

The City of Anaheim and Disney selected a site for a structure to house two ice rinks, one to serve as a practice site for Disney's Mighty Ducks of Anaheim, the second a venue for GOALS, a hockey program organized and supported by Disney open to underprivileged Anaheim children. In late March, the Mighty Ducks hosted their first FanFair at Arrowhead Pond to help raise money for the GOALS program.

Disney-owned KCAL-TV received an Imagen Award for positive depiction of Latinos in its documentary, *The Emerging Majority: Mexican Americans in Los Angeles*.

Walt Disney World initiated a program encouraging increased minority participation in construction contracts and a \$1 million commitment to finance start-up costs for minority-owned businesses.

The Walt Disney Company and lender banks for Euro Disney agreed on a financial restructuring plan for Euro Disney. Elements of the plan included a 6 billion French franc rights offering, the forgiveness of certain interest amounts, and the deferral of principal payments by the banks, with Disney waiving management fees and royalties for five years.

THIRD FISCAL QUARTER

April-June 1994

Disney lost a brilliant leader when Frank G. Wells, president and chief operating officer, died in a helicopter crash April 3 as he returned from a skiing weekend in Nevada. He was mourned and memorialized at a special program held at the studios in Burbank, where more than 4,000 friends and business associates joined Wells family members to honor and remember him.

The theatrical release of *The Lion King* was a spectacular success, but another Disney

production also made news. The musical *Beauty and the Beast* opened to standing room only business on Broadway. On the day following the Tony Awards telecast, the show set a one-day Broadway box-office record of \$1.1 million, breaking the mark set by *Phantom of the Opera* in 1987.

The Crow from Miramax claimed first place at the box office in its mid-May weekend opening with a gross of \$11.8 million and went on to garner more than \$50 million in its domestic run. The film's soundtrack was equally successful, hitting number one on the Billboard charts and spending 26 consecutive weeks in the top 100.

In the wake of *Aladdin*'s success, Disney created a sequel animated feature, *The Return of Jafar*, and released it directly to home video, bypassing a traditional theatrical release. More than 9 million copies have been sold in the domestic market to date, making *Jafar* the 12th best-selling cassette ever. The company plans to produce at least two new animated films for this new market each year.

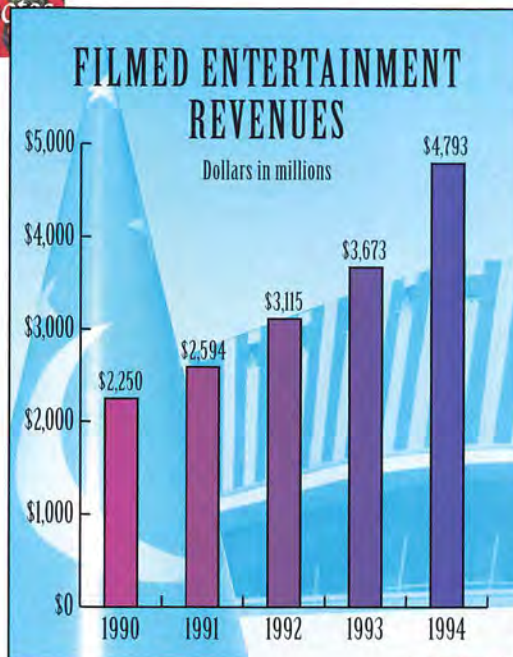
Disney's Mighty Ducks completed a highly successful inaugural season of National Hockey League competition with a long list of first year accomplishments. The team finished with a 33-46-5 record, contended for the playoffs until the final weeks of the season, and along with the Florida Panthers set an expansion team record with 33 victories. In keeping with its



FamilyFun, one of Disney's growing family of magazines, continued to gain new readers and advertisers during 1994.



Disney's All-Star Sports Resort, offering 1,920 economy-priced rooms in a setting dominated by huge sports icons, opened for business in May.



Disney's Filmed Entertainment division has enjoyed healthy revenue gains in each of the past five years. The segment posted 30% revenue growth in 1994.



Sanford M. Litvack, senior executive vice president and chief of corporate operations.



Wild Wing, mascot for Disney's National Hockey League team, the Mighty Ducks of Anaheim.

Disney heritage, the Mighty Ducks led the National Hockey League in sales of team licensed merchandise and sold out 27 of 41 home games, including the last 25 in a row, filling the Arrowhead Pond of Anaheim to 98.9 percent of its season capacity.

Walt Disney World made news with the opening of two new hotels. Disney's rustic-but-elegant Wilderness Lodge, patterned after famous turn-of-the-century National Park Service lodges, and the initial phase of Disney's All-Star Resorts—the All-Star Sports Resort featuring 1,920 economy-priced rooms—opened for business in May.

As part of its agreement with four international broadcast partners to create new European-produced series programming for television, Buena Vista Productions (International) began production on the first *Disney Presents* series, *Stick With Me, Kid*.

Disney announced that it will build two 2,400-passenger oceangoing ships and establish a cruise line based in Florida. Guests will be offered vacation packages consisting of several days at sea culminating in a stay at Walt Disney World. The first liner will leave port in 1998.

Beauty and the Beast, *Pinocchio* and eight other titles constituted the first wave of Spanish

language videos released by Buena Vista Home Video as it entered the U.S. Hispanic market for the first time. Other titles include *Alice in Wonderland*, *The Sword in the Stone*, *The Prince and the Pauper*, a *Winnie the Pooh* program and four popular *Sing-Along Songs*. Previously, Walt Disney Records, Disney Press and Mouse Works entered the rapidly growing Spanish-language market in the U.S.

Disney Software and Virgin Interactive Entertainment used the Consumer Electronics Show in Chicago to showcase *The Lion King* Video Game, to be offered for release on Super Nintendo and Sega Genesis in time for the holidays. The partnership effort between Disney and Virgin builds on the highly successful collaboration of the two companies in producing the *Aladdin* Video Game, which has sold more than two million units, making it the sales champion of Christmas



The Disney Store in downtown Tokyo is a sparkling showcase for the company's products.

1993. Disney recently released *Mickey Mania: The Timeless Adventures of Mickey Mouse*, co-developed with Sony Imagesoft, for all the popular game platforms in time for the holidays.

Now in its sixth year, Disney Software officially enters the multimedia marketplace with its first two CD-ROM releases, *Disney's*

Animated Storybook: The Lion King and *The Aladdin Activity Center*, shipping more than 400,000 units of the two titles in the largest CD-ROM debut to date. Plans call for new CD-ROM titles based on Winnie the Pooh, *Snow White and the Seven Dwarfs* and an encyclopedia of Disney animated characters, among numerous other home PC titles.

At the close of the third fiscal quarter, Disney led the entertainment industry in several major categories: *The Lion King* still reigned as the number one movie at the box office; *Beauty and the Beast* was the number one show on Broadway; *Home Improvement* was the number one network TV series; *The Lion King* soundtrack was the number one album; Tokyo Disneyland was number one in theme park attendance worldwide; Disneyland Paris was the number one tourist attraction in Europe; and the U.S. theme parks led all others in domestic attendance.

FOURTH FISCAL QUARTER

July-September 1994

The Lion King continued to dominate the news. In addition to its individual success, it propelled The Disney Studios to an industry revenue record for the summer season of \$444 million. Disney also reached the \$700-million

box-office milestone more quickly than any other studio in history.

Consumer Products reached a milestone of its own. On August 6 the 300th Disney Store opened in the Hamilton Mall, Mays Landing, New Jersey. Of the 300, 251 are in the U.S. and Puerto Rico, seven in Canada, 12 in Japan and 30 in Europe. This far-flung retail empire has been built swiftly; the first Disney Store, in the Glendale (California) Galleria, opened March 28, 1987.

Meanwhile, the new Sunset Boulevard introduced Tinseltown's most famous landmarks to the Disney-MGM Studios where the Twilight Zone Tower of Terror, perhaps Disney's scariest ride ever, started taking guests through the corridors of an abandoned 30's-vintage Hollywood hotel, moving to the top where the ride culminates in a 13-story drop in a runaway elevator.

Innoventions opened at Walt Disney World as the quarter began.

Situated in the area formerly known as Communicore near Epcot's main gate, Innoventions is a showcase for the best ideas of industry and technology—in effect, a close-up, hands-on look at the cutting-edge products that will affect our lives in the near future.

Tokyo Disneyland hosted its 150 millionth



Traces of Disney become more commonplace around the globe. Here, a London double-decker carries advertising for a Disney ice show.

A new Princess Collection of home videos features the adventures of Disney princesses such as Jasmine (from *Aladdin*) and Ariel (*The Little Mermaid*). Each video includes on-package jewelry.

Below: The distances between Disneyland Paris and the rest of Europe shrank appreciably last May when France's bullet TGV trains began regular service to the resort. Here the park celebrates the opening of service with a march down Main Street featuring a dragon-like replica of one of the high-speed trains.

guest in early August. Approximately one month later, Mary Pat Smith, of Decatur, Illinois, who was vacationing with her husband and children at Walt Disney World Resort's Magic Kingdom, became the one-billionth guest to visit a Disney theme park since the first theme park guest was welcomed at Disneyland on July 17, 1955. She and her family were promptly whisked off to Disneyland where they were honored the same day.

The Disney Channel collected Emmy Awards for productions that included the critically acclaimed documentary *D-Day in Berlin*, *The Legend of Billy the Kid* and *Irish Music and America...a Musical Migration*.

Although Disney's sports complex at Walt Disney World is still on the drawing boards, it already has begun paying dividends. The Amateur Athletic Union (AAU) announced that it will move its headquarters to a site near the proposed facility. As part of the agreement, the AAU will hold a minimum of 40 national championships at Walt Disney World the first year and 60 the second year. The facility will be completed early in 1997.

Ground was broken for Disney's Boardwalk Resort. When it is completed in 1996, this seaboard village will feature 378 guest rooms and 383 Disney Vacation Club villas, as well as nightclubs, lounges, shops, restaurants, miniature golf courses and a 15,000-square-foot convention center.

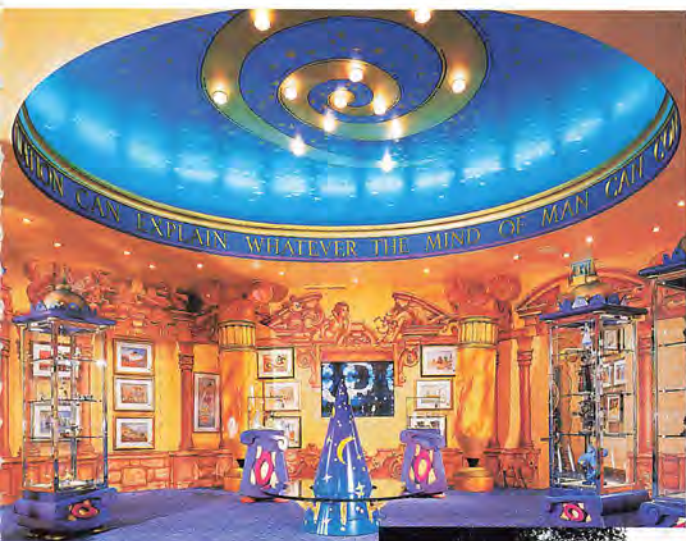
Taping began on the first prime-time television series to be produced at the Disney-MGM Studios in Florida. *Heavens to Betsy*, starring Dolly Parton, will make its CBS-TV debut in January.

In August, Disney, Ameritech Corporation, BellSouth Corporation and Southwestern Bell Corporation signed a memorandum of understanding setting forth principles for the formation of a joint venture to develop, market and deliver traditional and interactive video programming to consumers. Ameritech, BellSouth and Southwestern Bell



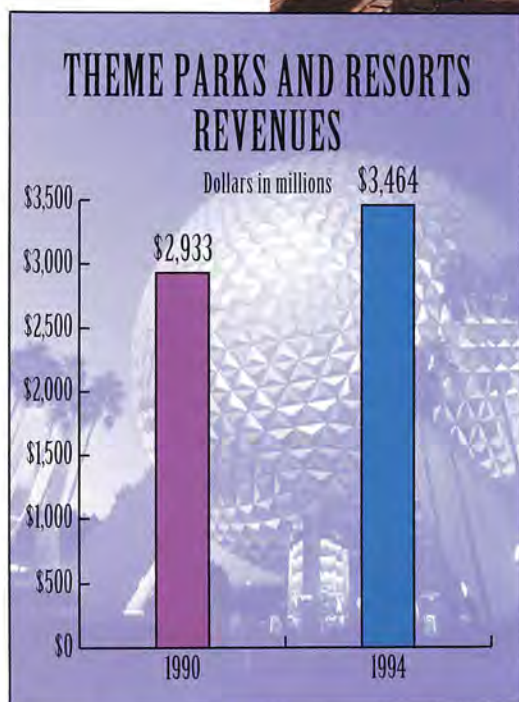
Tim Allen, as Santa himself, and one of his new elf friends chat in a scene from *The Santa Clause*, Disney's blockbuster holiday film.





The first Walt Disney Gallery opened in Santa Ana, California, adjacent to a Disney Store. Shown here is the Animation Gallery, one of four themed areas featuring Disney art, collectibles and a variety of specially designed Disney merchandise.

Into Another, from New York, one of the exciting young bands which have signed on with Hollywood Records.



The buildout of resorts at Walt Disney World has contributed to Theme Parks and Resorts' 18% revenue growth since 1990.

provide telecommunications services to more than 50 million customer lines in 19 states.

Under the memorandum, the parties began work on a business plan for providing video services to the home. The services could ultimately include existing broadcast and satellite television networks, as well as movies-on-demand, interactive home shopping, educational programs, games, banking, travel assistance and more. The proposed venture would also develop a so-called navigator to allow customers to access these services with ease.

In August, Disney joined with a major European multi-media broadcaster, CLT Multi Media, to establish a joint venture for the launch of Super RTL, a new family channel in Germany beginning in 1995. In addition, Disney agreed in principle to become a long-term program supplier for CLT Multi Media and to explore the development of family services in other European markets with CLT. CLT has substantial interests in 10 TV stations and 13 radio stations in nine European countries.

Prebooking for *The Muppet Classic Theater* began in August, backed by a multimillion-dollar marketing campaign. The *Los Angeles Times* described the six-story video collection, marketed by Buena Vista Home Video, as "very fast and very funny...hilariously original."

The company signed an agreement that enables Modi Films International to distribute all Walt Disney, Touchstone and Hollywood Pictures films throughout India. The first film released by Modi, *Aladdin*, will be presented in English, Hindi, Tamil and Telugu.

Disney-owned KCAL-TV received a National Associated Press award for excellence in spot news for *Southland on Fire*, the station's coverage of the Southern California firestorms late in 1993.

In August, retail shipments of *The Lion King* soundtrack album exceeded five million units as it entered its sixth week atop the U. S. album charts. In that short time it had become the fastest- and best-selling title in the history of Walt Disney Records. By late October, the album had racked up sales of 6.7 million units and was still among the top ten in the country.

Disney announced the reorganization of its filmed entertainment business in late August. Under the reorganization, Joe Roth, former

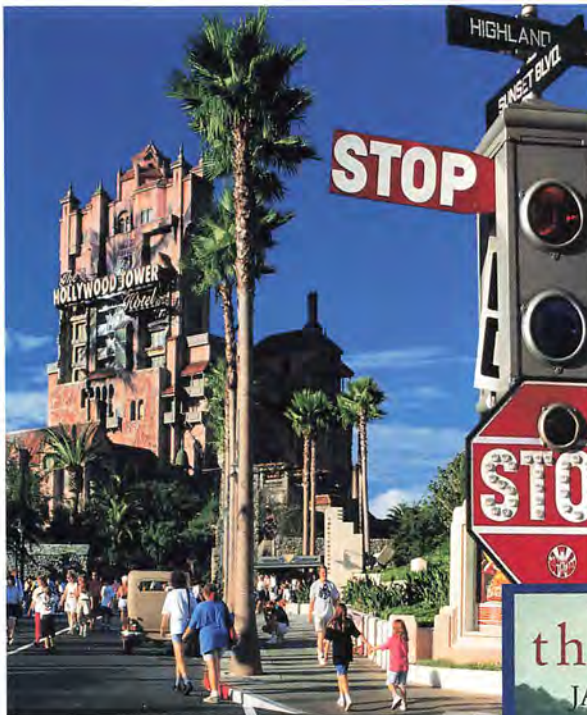
chairman of Twentieth Century Fox and Caravan Pictures, became chairman of Walt Disney Motion Pictures Group. Richard Frank, who had been president of The Walt Disney Studios since 1985, was promoted to chairman of the newly-created Walt Disney Television and Telecommunications Group.

In his new position, Roth became responsible for the worldwide production of all live-action motion pictures as well as the worldwide marketing and distribution of all motion pictures.

Frank oversees all of Disney's efforts to broaden its activities in television, telecommunications and related fields. In this role, he will also have the worldwide responsibility for all aspects of production, marketing and distribution of television programming, home video and The Disney Channel and will jointly oversee with Bo Boyd, president, Disney Consumer Products, Disney's ventures in the growing field of interactive entertainment.

Walt Disney Feature Animation continues to report to Roy Disney, vice chairman of The Walt Disney Company since 1984. Working with him will be Disney Chairman Michael Eisner. The Feature Animation management team, under Peter Schneider, continues to have day-to-day responsibility for the unit.

As part of a parent company reorganization, Sanford M. Litvack, the company's executive vice president—Law and Human Resources, assumed the role of senior executive vice president and chief of corporate operations responsible for the day-to-

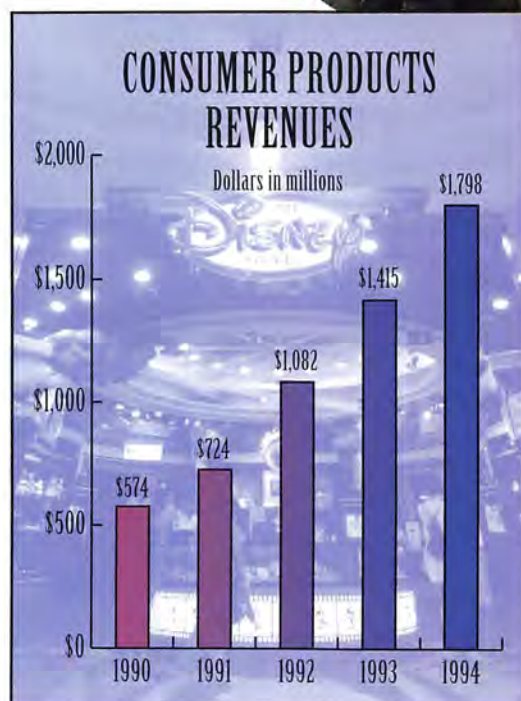


Looming over the new Sunset Boulevard at the Disney-MGM Studios, Florida, is the Twilight Zone Tower of Terror, which takes guests on a tour of a haunted Hollywood hotel and climaxes with a 13-story plunge down an elevator shaft.



Top: *The Piano*, written by Jane Campion and adapted from her Academy Award-winning screenplay, was the first book released by a new Miramax Books division.

Left: Comedienne Margaret Cho, center, stars as the *All American Girl*, the popular half-hour network series which made its debut on ABC.



Driven by the success of The Disney Store and the company's character merchandise licensing business, Consumer Products' revenues grew 27% to a record \$1.8 billion in 1994.

day supervision of internal matters as well as external relationships and dealings with governments, communities and other corporations.

The new network television season opened with Disney continuing to be a leading provider of network series and specials. Returning and new network series include: *Home Improvement*, ABC, fourth season, the number one network show in the country; *Ellen* (formerly *These Friends of Mine*), ABC, second season; *Blossom*, NBC, fifth season; *Boy Meets World*, ABC, second season; *Empty Nest*, NBC, seventh season; *Thunder Alley*, ABC, second season; and *All American Girl*, ABC, first season.

As part of the ABC Saturday Night Family Movie, Walt Disney Television is remaking four classic Disney films: *Freaky Friday*, *The Shaggy Dog*, *Escape to Witch Mountain* and *The Computer Wore Tennis Shoes*. In addition, CBS has ordered a sequel to the successful Edna Buchanan movie, *The Corpse Had a Familiar Face*, starring Elizabeth Montgomery.

In late September, Disney announced that it would seek a new site for its Disney's America theme park where it could concentrate on its creative vision for the park and separate itself from the controversy surrounding the originally intended site in Prince William County, Virginia.

FIRST FISCAL QUARTER 1995

October-December 1994

The momentum continued into the new fiscal year. In network television, two Disney prime-time shows were in the top 10—*Home Improvement*, with its star, Tim Allen, and *Ellen*, starring Ellen DeGeneres.

At the Disney-MGM Studios in Florida, seven TV personalities were inducted into the Academy of Television Arts and Sciences Hall of Fame. The October event honored Alan Alda, Howard Cosell, Barry Diller, Fred Friendly, Bill Hanna, Joseph Barbera and Oprah Winfrey.

The phenomenal success of *Snow White and the Seven Dwarfs* stretched far beyond home video. Nearly 30 Disney-licensed books supported the Oct. 28 release, including the re-release of *Walt Disney's Sketchbook of Snow White*, which first appeared in 1938. A limited edition created especially for the theme parks was made available through the Disney Catalog.

The Snow White Flip Book, *Snow White Mini-Carousel Book* and *Snow White: Happy Anniversary*, from Beach/Contempo, in addition to 19 titles from Western Publishing, could all be gift wrapped in paper from the *Snow White Gift Wrap Book*. There were paper-doll books, sticker books, coloring books, even a graphic novelization from Marvel Comics.

The Disney Channel aired *The Making of Snow White*. Disney Magazine Publishing inserted a *Snow White* mini-storybook into the November issues of *FamilyFun* and *Family PC*.

Disneyland showcased the Fairest One of All in many ways, including a *Snow White* Castle ceremony with a guest prince or princess of the day, *Snow White* meals and birthday parties—even *Snow White* artwork at the Disney Gallery. Walt Disney World staged an event at the Disney-MGM Studios to re-create the premiere of the film in 1937.

Pulp Fiction, an in-house production from Miramax, led the box-office from its opening weekend in mid-October and continued its strong domestic run throughout the closing weeks of the year. Winner of the 1994 Palme d'Or award, *Pulp Fiction* had reached \$50 million in box-office gross by Thanksgiving.

Honey, I Shrunk the Audience opened in November at Kodak's Journey Into Imagination Pavilion at Epcot. Based on the enormously popular Walt Disney Pictures feature, *Honey, I Shrunk the Kids*, the new 3-D movie seemingly shrinks the audience to a size where every image on the screen (such as a gigantic sneezing dog) becomes terrifying.

Disney's All-Star Music Resort began a phased opening in November. By February, the entire All-Star Resort will feature 3,840 rooms, making it one of the largest hotels in the world.

Huong Tran Nguyen, a Foreign Language/ESL teacher from Polytechnic High School, Long Beach, California was named Outstanding Teacher of 1994 during The Disney Channel's live telecast of *The Walt Disney Company Presents The American Teacher Awards* (see center insert).

In a new feature of the awards ceremony, the first *Frank G. Wells Award*, named in honor of the late Walt Disney Company president, was presented to the legendary former UCLA basketball coach John Wooden by U.S. Senator Bill Bradley of New Jersey. The award, to be given annually, goes "to that individual outside

the teaching profession, whose life of civility, compassion, integrity, humility and respect for all humanity provides a compass for human behavior as Frank Wells did."

The latest Planet Hollywood Restaurant opened at Walt Disney World in December, prompting the largest gathering of movie stars in Orlando history, including Arnold Schwarzenegger, Sylvester Stallone, Bruce Willis, Demi Moore and Whoopi Goldberg. The new restaurant, located adjacent to Pleasure Island, offers guests a chance to dine amid the memorabilia of film and television stars. It is the largest of the restaurant chain venues that extend from London to Hong Kong.

The first Walt Disney Gallery opened Nov. 4 at the MainPlace/Santa Ana Mall in California. Within its 3,100 square feet of floor space, four themed areas offer exclusive Disney merchandise—from the unique cels of the Animation Gallery to greeting cards, stationery and T-shirts in the Gallery Shop gift area. The gallery is attached to the mall's Disney Store. Several product lines have been created specifically for The Walt Disney Gallery. Guests also can take interactive computer "tours" of Disney studios

and theme parks and watch classic moments from Disney animated films.

In November, Feature Animation employees started returning to the Disney main lot, moving into the new Animation Building on six acres of the Burbank headquarters property. The 243,000-square-foot, four-level structure eventually will house 625 animators, artists and technical administration staff members. The interior provides extensive open space intended to contribute to the creative environment. Noted architect and



The Audio Animatronic version of a rock singer is a crowd pleaser at Epcot's Innoventions. The showcase of leading edge products is proving to be one of the most popular new attractions at Walt Disney World.



Critics had warm praise for *Gargoyles*, Disney's new syndicated action adventure which made its debut this fall. The show is a regular Friday feature on *The Disney Afternoon*.

Disney Director Robert A. M. Stern designed the building.

For the year-end holiday season, Disney released *The Santa Clause*, starring Tim Allen, of *Home Improvement* fame. It was Allen's first role on the big screen. During its first weekend, the movie scored big, registering \$19.3 million at the nation's box-office to rank third in opening weekend gross among all Disney pictures. Only *The Lion King* and *Dick Tracy* had higher box-office grosses on opening weekend.

Epcot began a holiday tradition during the 1994 Christmas season, featuring Holidays Around the World. Guests were drawn by the spectacular Lights of Winter and witnessed the lighting of the Christmas tree each holiday evening in World Showcase Plaza. A traditional candlelight processional was held in the American Garden Theatre, where a 600-voice choir performed a stirring rendition of *The Christmas Story*. A holiday-themed presentation of *IllumiNations*, with all new music, laser, light features and fireworks, closed the program.

The stage musical *Beauty and the Beast*, after its overwhelming success in New York City, will take to the road in 1995, the next step in the company's efforts to become a major producer of Broadway-style shows. First stop: Los Angeles' Shubert Theater. Meanwhile, the show is also set to premiere in five overseas cities: Melbourne, Australia (July, 1995); Vienna, Austria (September, 1995); Tokyo, Japan (October, 1995); Osaka, Japan (December, 1995); and Cologne, Germany (September, 1996). Plans were also announced to launch at

least seven additional companies by the end of 1997, including a U.S. national touring production.

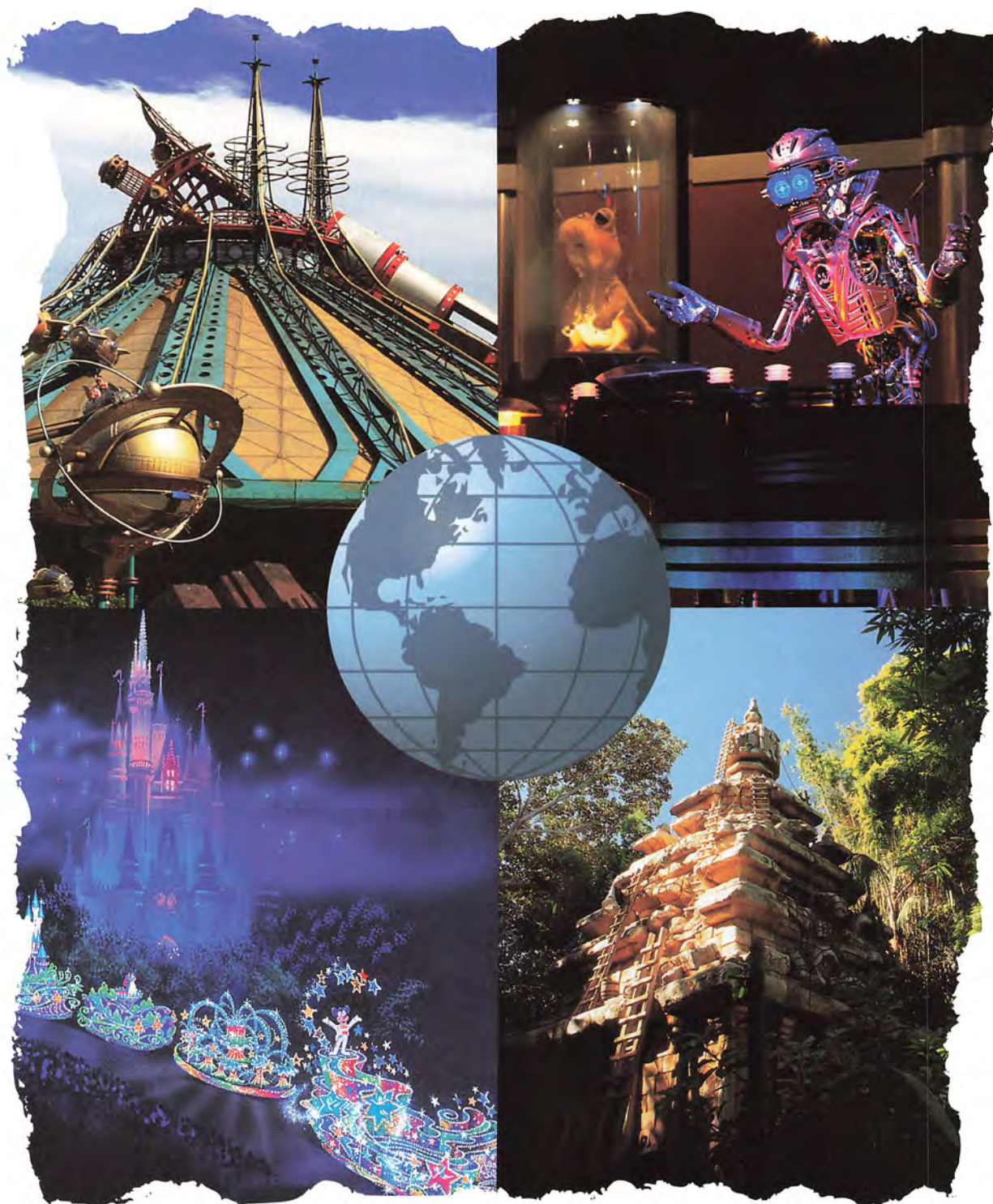
Simba, one of Disney's newest animated characters, joins old favorites Winnie the Pooh and Goofy in this collection of cookie jars.



Star Tours is one of Tokyo Disneyland's most popular attractions.



Disney Feature Animation moved into its new home on the Disney Studios lot in late November.



Top left: Disneyland Paris will offer its own version of Space Mountain in 1995. Top right: Alien Encounter is one of the featured frightening attractions at the New Tomorrowland recently open to visitors at Walt Disney World's Magic Kingdom. Bottom left: A nighttime parade at Tokyo Disneyland seems to float past the castle. Bottom right: Entrance to the new Indiana Jones Adventure thrill ride which opens in February at Disneyland.



DISNEY GOES GLOBAL

The next several pages describe in words and pictures the growing impact Disney entertainment products are having in the world beyond U.S. borders.

Disney's major overseas businesses include distribution of the company's films and TV products as well as consumer products of every description. Disney publications are among the most popular worldwide.

The numbers tell an amazing growth story:

In 1984, Disney's revenues from countries outside the U.S. totaled \$142 million, or about 8.4 percent of the company's consolidated revenues of nearly \$1.7 billion.

In 1994, overseas revenues totaled approximately \$2.4 billion, or 23 percent of total Disney revenues of \$10.1 billion.

For the year, revenues from outside the U.S. grew 30 percent.

These figures include revenues from Tokyo Disneyland, but not Disneyland Paris.

Disney Films Find Favor In Nations Around The World

It was two years ago that Buena Vista International, Disney's own international film distribution organization, took over that role from Warner Brothers. Previously Warner Brothers had performed distribution of films from Disney in countries outside North America. Today, having grown to more than 250 employees, BVI handles foreign distribution of almost every movie from Walt Disney, Touchstone and Hollywood Pictures, and for other films as well.

In its brief history, BVI has released more than 60 films in 55 countries and is already among the top three worldwide dis-

tributors. Its revenues have risen to the same level as Disney domestic film revenues and are still growing. The division ended fiscal 1994 with gross box-office revenues of nearly \$800 million.

The first film distributed by BVI was

Sister Act, which brought in about \$145 million at the box-office. Since then, BVI has handled such international successes as *Cool Runnings*, *Sister Act 2*, *The Three Musketeers*, *When A Man Loves A Woman*, and the animated features *Aladdin*, *The Lion King* and the re-released *The Jungle Book*.

BVI's early success has been notable. While Warner Brothers took *The Little*



The expansion of Disney's international theatrical, television, home video, licensing, publishing and retailing businesses has contributed to increasing international revenues over the past five years. In 1994, international revenues were 23% of the company's overall revenues.



The Lion King drew huge crowds wherever it opened this year, and London's Odeon Theatre was no exception.



Mermaid to \$98 million in foreign box-office revenues, and *Beauty and the Beast* to \$204 million, Buena Vista International brought *Aladdin* to \$273 million and is expected to reach more than \$350 million with *The Lion King*, greater than the U.S. gross to date.

In addition, BVI handles non-Disney movies. The division has the rights to rent the upcoming *Die Hard III* throughout most of the world; it will be in release beginning in September of 1995.

BVI has regional offices in London, Hong Kong and Buenos Aires. In addition, the division has distribution offices in 14 countries, which represent about 80 percent of the division's gross revenues. Nearly all of these offices are staffed with local personnel. Because each nation has its own tastes, the success of any given film will vary from country to country.

For example, *When A Man Loves A Woman* was a smash hit in Japan, taking in gross box-office revenues of more than \$10 million and out-performing such prominent films as *Wolf* and *The Client*. In Germany, *Sister Act* was the most popular movie of the year, grossing more than \$28 million and beating out *Home Alone II*, *Basic Instinct*, *Hook*, *JFK* and *Lethal Weapon III*. And in France, the biggest non-French movie of all time is *Aladdin*, with revenues of more than \$40 million. *The Lion King* promises to top that.

Despite differences in national taste, most American hits become hits everywhere—especially action-adventure films. But when it comes to worldwide success in country after country, Disney's

animated features are the jewels in BVI's crown. *The Lion King* is on target to become the number two movie of all time in the international marketplace, behind *Jurassic Park*, but above *E.T.* and *Terminator II*.

For the future, the foreign-distribution outlook continues strong. Population and economic growth rates all over the world are on the rise, leading to more movie fans with more money to spend.

Moreover, Disney Character Voices is the largest and most technologically advanced dubbing division of any studio

and is an important strategic advantage over other entertainment companies.

Finally, many nations are starting to catch up with the United States in replacing single-screen downtown theaters with suburban multiplexes. The new theaters will deliver more movies to more people than ever before—a trend that will continue into the next century.

Buena Vista

International will be there all the way. The division is looking forward to releasing such prominent films as *Quiz Show*, *The Santa Clause* and the animated *Pocahontas*.

At the same time, BVI will improve its reach into nations whose governments were once inimical to American films. At the moment, the division is moving into India and Russia, with China, Vietnam and Pakistan next on the schedule. In some other nations, which already receive BVI films but release them through local companies, the division will bring in its own distribution operations.



Shoppers at Tokyo Disneyland take a break from gift-buying. Disney merchandise, featuring the company's world famous characters, continues to be hugely popular in all corners of the world.



Disney Stakes Claim To Huge New International TV Market

The international television activities of The Walt Disney Company have been reorganized into a newly formed division within the Walt Disney Television & Telecommunications Group called Walt Disney Television (International). In order to best exploit opportunities and position Disney's unique brand within the international marketplace, all future distribution, production, broadcasting interests and new business development will be consolidated within the new group.

Entering 1995, the newly integrated television division is on the threshold of some exciting opportunities.

Regional offices for international television will be developed worldwide to manage all of Disney's television interests in the respective markets with headquarters in London. The first regional office will be in Hong Kong, which will oversee Disney's television interests in the Asian and Pacific markets, including Japan, India, Australia and New Zealand. These regional offices will complement an already existing network of production offices.

Disney Television's international thrust picks up speed in 1995, as program offerings are expanded through increased productions in the U.S. and abroad and as Disney Channels become available to viewers around the world.

After launching Super RTL in Germany early in the year, Disney will turn its attention to other international markets. In the United Kingdom, the feasibility of launching The Disney Channel is under close examination. Meanwhile, plans call for the launch of The Disney Channel in Taiwan in spring of 1995. Opportunities will be explored in other European, Asian and Latin American markets.

Not only will the number of weekly hours of Disney television increase in current markets, but Disney's television presence will expand in new markets. Disney features and TV movies will be available on pay television in Greece,

and possibly in Australia, for the first time. Disney's exposure on television in Eastern Europe continues to rise with more than 700 hours of Disney programs broadcast annually in Russia, the Czech Republic, Hungary, Poland and Bulgaria, with plans to expand in the region.

Disney also will continue to seek out equity opportunities like GMTV, the number one national breakfast television service in the United Kingdom, in which the company owns a 25% interest. Disney is a 50% shareholder in Super RTL along with Compagnie Luxembourgeoise de Telediffusion (CLT), one of Europe's leading media companies. The company is also seeking to establish a joint venture with The Modi Group in India.

On the production side, the *Disney Presents* venture is moving ahead smoothly, with production completed on the first 13-part one-hour family drama series. Developed in association with four international broadcast partners, *Stick With Me, Kid* was produced in Europe with a European crew. The series debuted in Spain in December, and will be released next in France, Germany, Italy and the United Kingdom with

other markets around the world to follow.

The number of original Disney-branded programs and specials continues to rise. As of fall '94, there were more than 35 such programs airing weekly around the world. In the coming year, additional "Disney Clubs" are scheduled to be launched in Asia and Latin America.

"Disney Clubs" are enjoyed by children and families alike with more than 300 million weekly viewers. In the U.K., *Disney Club* will celebrate its sixth season on ITV/GMTV, and the French *Disney Club* enters its fifth season on TF1.

In Japan, Disney is the only U.S. production company with an ongoing series on a network. Called *Team Disney*, the program enters its third season on TBS in 1995.



Classic Disney animated features for home video are bestsellers throughout Europe. Walls of Disney videocassettes in a variety of European languages are prominently displayed at Disneyland Paris.



A rainy day in Tokyo and Mickey is there to keep a Disney fan dry.



Mickey is a prominent fixture on Frankfurt, Germany's Zeil, a famous shopping walkway.



Disney Books, Merchandise Are Hits In Every Corner Of The World

Because Disney is such a quintessentially American company catering to American tastes and audiences, few people in the U.S. realize how warmly the company's characters and entertainment products are welcomed throughout the world.

This global popularity was evident from the company's earliest years. Today it has grown to such dimensions that Disney Consumer Products derives nearly 40 percent of its revenues from overseas markets.

Within months of Mickey's introduction at the Colony Theater in New York in November, 1928, he was famous on screens from London to Tokyo. By 1931 he was known in nearly every country in the world.

In 1934, *Topolino* (Mickey's name in Italy) magazine was launched in Italy. Last spring, *Topolino* celebrated 60 years with an exhibition of Disney animation art in Rome, Venice and Milan. For four consecutive weeks, *Topolino* circulation topped one million copies. In fact, *Topolino* is third in circulation among all Italian periodicals.

Donald Duck turned 60 during the summer, and nowhere was the occasion recognized as happily as in Europe. Veteran Donald comics artist Carl Barks (93 years young) received a hero's welcome in a tour from Frankfurt to Stockholm to Madrid.

And Mickey won instant loyalists in Vietnam this year when 16,000 school children who had barely heard of the Mouse were captivated by a Mickey

comic book distributed as a gift in June after the trade embargo was lifted.

But perhaps no single fact highlighted the international popularity of Disney products better than the Disney Store on the Champs Élysées in Paris which became the number-one location of all the Disney Stores worldwide.

The Consumer Products division of Disney has been the most visible international ambassador for Disney characters worldwide.

In 1994, an estimated \$14 billion of Disney toys, dolls, books, magazines, cups, towels, picture frames, cameras, watches, jackets and dozens of other products was rung up at the world's cash registers.

In the past six months, many of the products were related to *The Lion King*, which was hugely successful as Disney's first global licensing effort. More than \$1 billion of *Lion King* merchandise was sold in the first four months of the film's release.

The growth of Disney's international business has been rapid.

In Europe from 1984 to last year, retail sales of Disney-licensed merchandise climbed from \$480 million to \$4.5 billion. In 1984, there were 11 Consumer Products offices in the region serving 25 countries. By 1994, there were 16 offices covering product sales in 45 countries.

In 1988, 120 different Disney magazines and comics were published in 16 different



Jose Carioca is by far the most popular Disney character in South America. Here he cavorts with friends on the beach at Rio de Janeiro.



European languages. By 1994, the numbers had grown to 180 magazines published in 27 different languages. (Disney publications appear in 37 languages worldwide.)

At any given time, there are approximately 1,500 Disney book titles on the store bookshelves of Europe. Disney publishers in Europe create 300 new titles every year and some 22,000 new pages of comic books and magazines.

In 1988, weekly magazine readership in Europe and the Middle East totaled 21 million. This year, readership has climbed to more than 40 million.

The growth continues because of new ideas launched in the confidence that Disney characters will be well received. Four "Disney Corner" retail boutiques opened in Saudi Arabia, an important expansion of business in the Gulf. The first Mickey Mouse comic was introduced in the Gulf region in the fall.

Consumer Products revenues in Latin America have climbed more than 30 percent a year since 1989.

In 1984, Disney published approximately 100 books and magazines and eight comics in South America. Last year there were 750 titles including comics.

Meanwhile, Consumer Products revenues in the Asia Pacific region—from Japan to India to Australia—grew fivefold between 1984 and 1994.

In 1984, the Asia Pacific region had a single office in Japan. Since then, offices have been added in Australia, New Zealand, Hong Kong, Taiwan, Singapore, Thailand, India and Korea.

Next year brings the possibility of an office in China, where merchandising opportunities for Disney may be as great as any other region of the world. By Christmas, more than 80 Mickey's Corners retail boutiques will be established in major department stores from Beijing to Guangzhou.

One of the most exciting aspects of the international growth of Disney Consumer Products has been the expansion of the Disney Stores.

The first Disney Store opened in early 1987. By the end of 1994 there were 352 stores, representing a growth rate of almost four locations a month. In 1994, the stores received more

than 200 million visits in the United States, Scotland, Wales, England, Canada, France, Germany, Japan and the newest country, Spain.

By early '95, there will be new stores in Singa-

pore, Hong Kong and more than 50 other locations worldwide.

The global influence of Disney is seen in countless ways.

When a Disney Store opened on London's Regent Street in 1990, a reporter for a London newspaper expressed doubt that the Disney Store tradition of formally greeting guests at the front door would be accepted by customers in London's exclusive shopping district.

Some months after the store opened, the reporter called back and noted that many other stores along the street had begun the practice.

Disney seeks new horizons wherever people know the meaning of a friendly smile.



The Lion King was prominent at the world famous Frankfurt Book Fair in October.



The ubiquitous Mickey out for a stroll at Paris' famed tower.

FILMED ENTERTAINMENT

MOTION PICTURES

Buoyed by a record-breaking year in which filmed entertainment operating income reached an all time high of more than \$850 million, Disney motion picture units are lining up an arresting, ambitious and exciting array of films for 1995.

Centerpiece of the rich new offerings will be Disney's 33rd animated feature, *Pocahontas*, scheduled for release in June. It's the classic tale of love between a Native American princess and an English officer—love that helps foster peace and tolerance between two disparate cultures. Music once again is by Alan Menken, famous for his *Beauty and the Beast* and *Aladdin* scores. Lyrics will be by Stephen Schwartz.

Disney's three film labels—Walt Disney Pictures, Touchstone Pictures and Hollywood Pictures—will release a steady parade of dramas and comedies exploring a broad range of human feelings and foibles.

The 1995 Miramax film slate promises to be star-studded and exciting. Celebrated director-writer Robert Altman holds his magnifying glass to the alluring cut-throat world of Paris fashion in *Ready To Wear* (*Pret-a-Porter*), whose cast includes Julia Roberts, Marcello Mastroianni, Tim Robbins, Stephen Rea, Sophia Loren, Lauren Bacall, Lyle Lovett, Kim Basinger, Tracey Ullman, Sally Kellerman and Forest Whitaker.

Scheduled early in the year from Miramax is director-writer Sean Penn's *Crossing Guard*, starring Jack Nicholson and Anjelica Huston.

Walt Disney Pictures got the season off to a memorable start with the November release of *The Santa Clause*, starring Tim Allen as a man who becomes Kris Kringle himself. During its opening weekend, it grossed \$19.3 million, becoming the Walt Disney Pictures banner's top grossing live-action film of all time in its first weekend of release. By early December, the film was approaching the magic \$100 million mark at the box office. Slated to hit the big screen just before Christmas was Walt Disney Pictures' live-action version of *The Jungle Book*. Meanwhile, Hollywood Pictures/Caravan Pictures will bring Sinbad to the big screen in January in *Houseguest*, an action-comedy.

Academy Award nominee Laurence Fishburne (*What's Love Got To Do With It*) and Ellen Barkin team up with Frank Langella in January for Touchstone Pictures' *Bad Company*, a tale of espionage and ruthless double-cross from acclaimed Edgar Award-winning mystery writer Ross Thomas.

Also scheduled for a January release is Hollywood Pictures' *Miami Rhapsody*, starring Sarah Jessica Parker. In this romantic comedy, a young woman is forced to confront the true essence of marriage when her boyfriend finally pops the question.

Scheduled for February is Caravan Pictures' *The Jerky Boys*, an irreverent comedy in which the secret identities of "candid call" kings Johnny B and Kamal will be revealed for the first time.

Man of the House, starring Chevy Chase, Farrah Fawcett, Jonathan Taylor Thomas and George Wendt, is a family comedy from Walt Disney Pictures due in March.

Walt Disney Pictures and Caravan Pictures team up in March to release *A Tall Tale*, starring Patrick Swayze, the story of a doubting son who receives much-needed help from mythical characters from America's past to save the family farm.

Funny Bones (title tentative) is another late March release from Hollywood Pictures. From Peter Chelsom, the writer/director of widely acclaimed *Hear My Song*, comes this new comedy about a struggling second-generation stage comedian who returns to the England of his childhood to find the source of humor that made his dad so successful.

Walt Disney Pictures will release an animated feature, *The Goofy Movie*, in April, featuring Disney's lovable everyman, Goofy. He is joined by a memorable cast of cartoon co-stars who help tell the story of Goofy's efforts to bond with his teenage son, Max.

Offered by Touchstone Pictures in April will be the Merchant-Ivory production of *Jefferson in Paris*, an account of the great American's experiences as minister to France.

Danny Glover and Ray Liotta star in *Operation Dumbo Drop*, a July release set in Vietnam and featuring an airborne elephant. *Stretch Armstrong*, a comedy about a real-life rubber man, is scheduled for theaters in the summer.

Judge Dredd, featuring Sylvester Stallone and Armand Assante, is a science fiction drama about strange new ideas of law and order in a ravaged future world. Scheduled release date is June.

Crimson Tide is a potential summer blockbuster from Hollywood Pictures and the renowned production



COMING ATTRACTIONS



Upper left: Michelle Pfeiffer plays an ex-marine who becomes an inner city high school teacher in Hollywood Pictures' *My Posse Don't Do Homework*. Upper right: The pace of construction quickens at Blizzard Beach, Walt Disney World's newest water park scheduled to open in 1995. Lower left: David Friedman conducts and Judy Kuhn sings at a recording session for Disney's upcoming animated feature, *Pocahontas*. Lower right: Marcello Mastroianni and Sophia Loren are two of the many stars in Robert Altman's *Ready To Wear* (*Pret-a-Porter*) produced by Miramax Films.



Roy E. Disney, vice chairman,
The Walt Disney Company.

team of Simpson-Bruckheimer. This military drama, starring Gene Hackman and Denzel Washington, takes place on the USS Alabama, a Trident ballistic submarine on an emergency patrol due to a partial military coup in the former Soviet Union. While attempting to elude a hostile rebel attack submarine, the Alabama begins to receive what appears to be an authentic message authorizing the Alabama to launch a nuclear strike against the rebel Russian missile sites, a launch that could trigger the start of World War III.



Denzel Washington and
Gene Hackman clash in
Crimson Tide, a military
drama which takes place
on a Trident ballistic
submarine.

DOMESTIC HOME VIDEO

Coming off the best year in its history, one in which it was the top video company in America for the sixth consecutive year, Buena Vista Home Video is poised to set even more sales records in 1995.

Initial domestic orders for *Snow White and the Seven Dwarfs*, released in late October, exceeded 27 million units. How impressive was that? *Aladdin*, the former all-time champ, sold some 24 million units in its first six months.

1995 is projected to be another record year. Helping to fuel the growth will be the home video release in March of *The Lion King*, which is expected to set new Disney and industry records.

In 1995, in another new venture, Buena Vista Home Video will enter the \$336-million exercise video market. January will mark the debut of *Your Personal Best Workout with Elle MacPherson*. The video combines the talents of supermodel/actress Elle MacPherson and fitness authority Karen Voigt.

The success of 1994's *The Return of Jafar* marked the beginning of Buena Vista Home Video's made-for-video movie business. The division is actively creating new made-for-video animated movies as well as original productions for the pre-school and toddler market. New programs are also planned that feature characters including The Muppets, Spot and heroes of the newly-launched *Gargoyles* series.

INTERNATIONAL HOME VIDEO

Twelve markets in 1981, 64 in 1994. That is the exciting growth story for Buena Vista Home Video International, which holds an impressive 40 percent of the European video sell-through market and up to 60 percent of the family video market in some territories.

Buena Vista Home Video International, with the release of *Aladdin* in the fall, claimed the top 10

Joseph E. Roth,
chairman, Walt Disney
Motion Pictures.



Richard H. Frank, chairman,
Walt Disney Television and
Telecommunications.

selling videos of all time in international markets.

The division followed up in October with a new record-setter, *Snow White and the Seven Dwarfs*, which is expected to sell some 16 million units in the international marketplace.

Pinocchio, *The Aristocats* and *The Return of Jafar* will be released this spring.

NETWORK TELEVISION

With award-winning *Home Improvement* still ranked as the most-watched show on television, *Ellen* as the new top 10 show of the season on ABC, *Boy Meets World* in its second season on ABC's successful Friday night line-up and the number one show with kids in the U.S. and *All American Girl* a popular new Asian-American show starring Margaret Cho, Disney hopes to add to its prominence in mid-year with the introduction of several new half-hour network series and a number of family specials.

The new 30-minute shows include *Heavens to Betsy* (CBS), starring Dolly Parton; *Under the Hood* (CBS), starring George Wendt; and *Unhappily Ever After* (WB Net). In addition, *Thunder Alley*, starring Ed Asner, is scheduled to return to ABC in mid-season.

TELEVISION SYNDICATION

In the fall of 1995, Disney's *Home Improvement*, the most popular show on television, will go into syndication. It will generate the second highest per-episode earnings ever for an off-network program. Two other popular series enter syndication in 1995, *Blossom* and *Dinosaurs*.

These shows join a stable of first-run syndicated programs turned out by Buena Vista Productions. They include top-rated *Live with Regis & Kathie Lee*; *Siskel & Ebert*, the most watched movie-review show; *Disney Presents Bill Nye the Science Guy*, number one syndicated children's educational program which is also being carried on PBS; *Judge for Yourself*, a new talk show with a jury verdict; as well as *Mike and Maty*, a daytime talk show carried on ABC.

Joining the all-new animated and syndicated *Aladdin* TV series are two weekly shows: *Gargoyles*, a suspenseful action adventure set for Fridays, and *The Shnookums & Meat Funny Cartoon Show*, a fast-paced package of mayhem scheduled on Mondays.

THE DISNEY CHANNEL

The Disney Channel enters 1995 as the industry's second largest pay television network, growing from 7.7 million subscribers to some 10 million subscribers by the end of 1994.

In addition to the dramatic increase in the

number of subscribers, The Disney Channel accumulated six Primetime Emmy Awards, two Daytime Emmys, five CableAce Awards and the prestigious Peabody Award.

The channel's original programming has attracted the talents of many innovative and renowned artists. Upcoming movies include *The Four Diamonds* with Christine Lahti and a miniseries adaptation of Charles Dickens' *The Old Curiosity Shop*, which will star Peter Ustinov and Tom Courtenay.

KCAL-TV

News and sports programming continue to be key elements of Disney-owned KCAL-TV, Channel 9, Los Angeles.

The past 12 months have been an unrelenting year for news in Southern California, with one major story after another swamping the news media. KCAL brought its viewers complete coverage of the huge fires, floods, a major earthquake and the O.J. Simpson double murder trial as they happened through the year.

KCAL continues to have the most widely hailed news department in Los Angeles and one of the best in the U.S.

The station took best 60-minute newscast honors in Golden Mike competition, statewide Associated Press competition and the LA Press Club awards. In fact, KCAL set new records for most awards ever in the AP, Press Club and Press Photographer competitions. The station won 13 Emmys, more than any other Los Angeles station and more honors than all other local stations put together.

HOLLYWOOD RECORDS

Hollywood Records started 1994 with four consecutive weeks at number one on Billboard's Hot 100 singles chart with Bryan Adams, Rod Stewart and Sting's recording of *All For One* from the soundtrack album to Caravan Pictures' motion picture *The Three Musketeers*. In addition, Elton John's performance of *Can You Feel The Love Tonight*, Hollywood Records' single from *The Lion King* soundtrack, topped Billboard's adult contemporary chart for four weeks and peaked at number four on Billboard's Hot 100 singles chart.

The critics are calling Organized Konfusion's incredible new Hollywood/Basic album one of the best hip-hop albums of 1994.

Meanwhile, two exciting young bands have joined Hollywood Records: Seaweed from Tacoma, Washington, and Into Another, from New York City. Both bands, familiar to underground rock fans through their albums on independent labels, will be releasing new music through Hollywood in the year ahead.

WALT DISNEY ATTRACTIONS

Walt Disney World is in the midst of its largest expansion in history. In 1994 there were several new attraction openings, such as *Honey, I Shrunk the Audience* and *Innoventions* at Epcot, The Twilight Zone Tower of Terror at the Disney-MGM Studios and New Tomorrowland in the Magic Kingdom. In addition, hundreds of new hotel rooms became available to the resort's guests.

The pace will increase in 1995. For starters, January brings the second annual Walt Disney World Marathon, a 26-mile trek that takes participants through three Disney theme parks and 11 hotels. This race, the biggest running event in the Southeast, will attract some 12,000 entrants. Here is a close-up look at what 1995 will bring:

EPCOT '95

The redesign and updating of five of Future World's most popular attractions will be completed in 1995, part of Disney's commitment to transform Epcot into a place of learning and discovery that is constantly changing and reinventing itself.

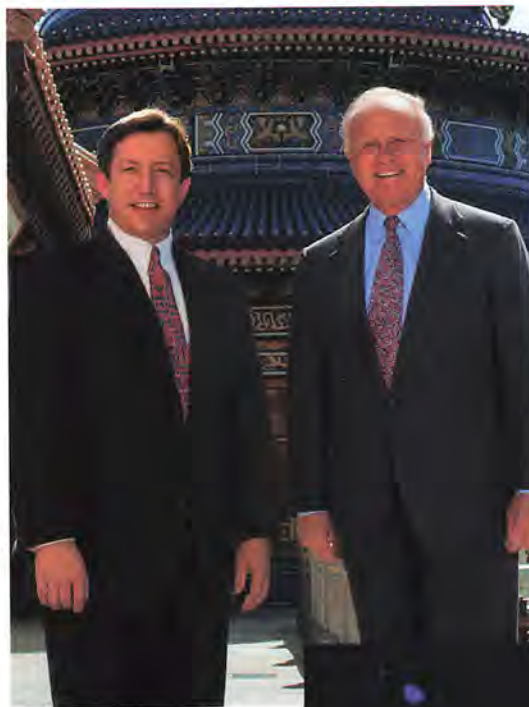
In the wake of the marathon, three other January events emphasize sports and fitness. The Twilight Zone Tower of Terror Run for Your Life is a 10-kilometer race at the Disney-MGM Studios. A week later, noted instructors play host at Disney's Great American Shape Up workout around the World Showcase Promenade. At month's end, Disney's International Challenge Walk sets a more moderate pace at World Showcase.

February brings The All Youth In-Line Hockey Tournament, highlighting one of the country's fastest-growing sports. Youth teams will play on specially constructed rinks in the Epcot parking lot, and there will be in-line skating contests and exhibitions in World Showcase.

In the spring, the Epcot International Flower and Garden Festival, presented by *Better Homes and Gardens*, will splash the grounds with 30 million brilliant blooms. Gardening enthusiasts will be offered tours, lectures and demonstrations by Disney horticulturists and internationally recognized experts.

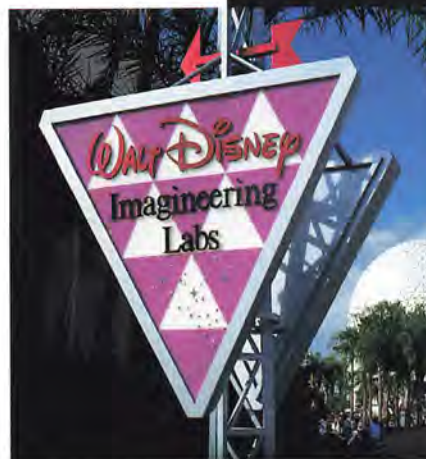
MAGIC KINGDOM

New Tomorrowland, reborn as a wildly imaginative intergalactic colony of the future, was the big news during the holidays at the Magic Kingdom at Walt Disney World. Here visitors from all worlds can now experience space travel, time travel, even "teleportation."



Judson C. Green, president, left, and Richard A. Nunis, chairman, Walt Disney Attractions.

A new thrill attraction, the Indiana Jones Adventure, featuring a scary ride through the Temple of the Forbidden Eye, makes its debut at Disneyland in February.



For the first time, Walt Disney Imagineering, the behind-the-scenes creators of all Disney theme park attractions, opened a lab to the public last year at Epcot's *Innoventions*.

Centerpiece of New Tomorrowland is the ExtraTERRORestrial Alien Encounter—quite possibly the most frightening attraction ever created. According to its legend, an interplanetary teleportation experiment accidentally unleashes a hideous, alien monster, sending it howling and hissing within inches of guests' faces.

Another new attraction, Transportarium, described as "an outrageous blast through time," uses CircleVision 360 along with Audio-Animatronics figures to create the illusion that guests are traveling backward to centuries past.

Elsewhere in New Tomorrowland, Walt Disney Imagineer artists and architects have created facades that give this future town a friendly neighborhood atmosphere and a

sense of humor—for instance, a restaurant named Auntie Gravity's.

The AstroOrbiter looks more like an over-size Buck Rogers toy than a 1990's space shuttle. As passengers spin around the center of New Tomorrowland, they are engulfed by whirling planets.

The Carousel of Progress, invented for the New York World's Fair, moves Walt Disney's original vision forward by three decades. This musical comedy show, already seen by more guests than any other theatrical presentation in U.S. history, features such recent innovations as virtual reality, voice activation and high-definition TV.

BLIZZARD BEACH

By spring, an unlikely Arctic chill will have descended at Walt Disney World. Blizzard Beach, though it cannot offer real snow, will provide the next best thing—an Alpine-themed water park with "bobsled runs" and ski lifts to transport visitors back to the top of 90-foot-tall Mt. Gushmore.

The combination of snow-capped mountains and a tropical environment pleases and amuses the eye. The park's attractions include Summit Plummet, which offers a 60-mile-an-hour plunge straight down to a splash landing, and Teamboat Springs, a white water raft ride.

INTERNATIONAL SPORTS CENTER

The announcement that the Amateur Athletic Union will move its headquarters to Central Florida has spurred Disney's efforts to finish construction of the International Sports Center as soon as possible.

At completion it will comprise a 5,000-seat main-event stadium, multipurpose field house, tennis arena, sports practice fields, running tracks and a fitness center. It will provide professional-caliber training and competition sites and vacation-fitness facilities for at least 25 individual and team sports in its initial phase.

College, high school and youth-league teams, amateur and senior athletic groups and individual professional and leisure-time athletes will be invited to use the center. In addition to such popular sports as baseball, football, basketball, golf and tennis, it will be equipped for soccer, rugby, track and field, badminton, fencing, wrestling, handball, squash and a dozen other games and activities.



In an attempt to help the Arapaho tribe stimulate interest in its dying native language among its young people, Disney helped create an Arapaho version of *Bambi*. Shown at a dubbing session are tribe members, l. to r., Steve and Amber Greymorning and Bobby Joe Goggles.

DISNEYLAND

Disneyland will kick off its 40th anniversary year by launching a spectacular float in the annual Tournament of Roses Parade in Pasadena, California. Later in the month it plans a Super Bowl halftime show based on the Indiana Jones Adventure, which will make its debut in February.

The new runaway thrill ride, inspired by the intrepid explorer in the George Lucas film trilogy, will take guests on an expedition through the fabled Temple of the Forbidden Eye in India's deepest jungles.

Guest "explorers" will discover surprises at every bend in this world of smoke and heat, bubbling lava pits, quaking suspension bridges and booby traps.

DISNEYLAND PARIS

Disneyland Paris has become the single most-visited tourist destination in Europe within its first three years.

Now that financial restructuring is complete, the park has begun to offer economical, all-inclusive packages that combine the Disney resort experience with theme park tickets and meals. The objective is to give first-time visitors a wide range of Disneyland Paris experiences.

And those experiences just keep getting better. This summer the park will unveil its newest major attraction, Space Mountain, an adventure inspired by the French author and futurist Jules Verne.

At Disneyland Paris, guests will board 1920's-vintage rocket ships that are "shot from a cannon" into deep space. As the journey to the moon unfolds, riders will dodge meteors, experience zero gravity and spin out of control on a twisting, spinning sprint through the galaxy.

The copper facade of Space Mountain stands 118 feet high overlooking the Discoveryland Lagoon. The attraction is the park's 40th—and the 11th added since it opened in 1992.

Disneyland Paris guests from throughout Europe can now reach the park more easily than ever before. The TGV train—one of the world's fastest—whisks visitors to and from all parts of France within hours.

TOKYO DISNEYLAND

The Grand Circuit Raceway, enhanced and redesigned, reopened as 1994 ended. Construction continued on its neighboring attraction, Toontown, which like its cousin at Disneyland, is a separate themed land where guests can visit Disney characters "at home." It will open in 1996.

In April, the park will introduce its own version of the Mickey Mania parade that has been highly successful at Walt Disney World. By summer, another new nighttime parade, Fantastique, will take over Main Street.

Fantastique will be unlike anything ever before seen at a Disney park. It will use laser light, black light, fiber-optic light and dozens of special effects to create brightly glowing parade floats that literally transform themselves before guests' eyes.

The New Tomorrowland at the Magic Kingdom, Walt Disney World, features exciting new attractions and rides.



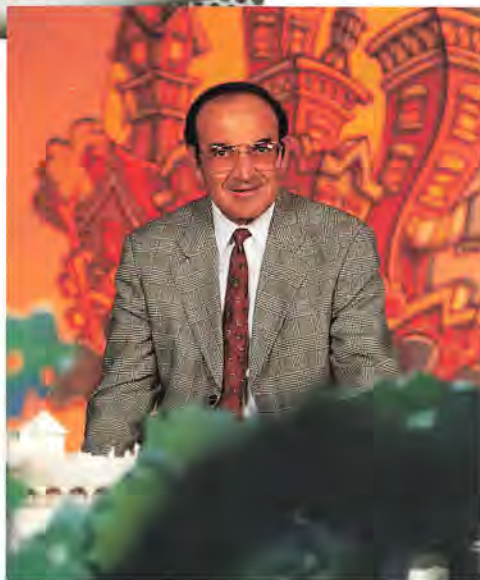
This Disney display at the Frankfurt Book Fair underscored the breadth and variety of Disney publications which are currently printed in 37 languages worldwide.

DISNEY DESIGN AND DEVELOPMENT

The completion of Disney's All-Star Music Resort this spring, in combination with the hotel projects finished in 1994, means Walt Disney World will have added more hotel rooms in 24 months than in the first 10 years the park was open.



Peter S. Rummell,
president, Disney
Design and
Development.



Martin A. Sklar, president, Walt Disney Imagineering.

And the building continues. In 1996, Disney's Boardwalk will open for business across Crescent City Lake from Disney's Yacht Club and Beach Club resorts. This distinctly upscale resort will provide entertainment, shopping, dining, villas and convention facilities.

A wooden promenade will re-create the seaside charm of turn-of-the-century Atlantic City, complete with beach cottages, dance halls and soda shops.

In conjunction with the hotel, Disney and ESPN Enterprises will collaborate to create the ESPN Sports Club at Disney's Boardwalk, a 13,000-square-foot interactive multimedia entertainment center and restaurant. Fifty television monitors throughout the facility will broadcast every available sports event. In the Penalty Box Bar, patrons will be able to tune in to the sports event of their choice through a sound box on each table.

Disney Development Company also manages a variety of other projects, from construction of the new Animation Building at the Burbank headquarters to a four-lane toll road that will be the most direct link between Walt Disney World and Orlando International Airport.

On a private island in the Seven Seas Lagoon, DDC is overseeing construction of the Fairy Tale Wedding Palace, due to open in the fall of 1995. The glass-enclosed pavilion, designed to evoke images of a Victorian summer house, will accommodate wedding parties of up to 250 persons.

CELEBRATION

The "public school of the future" will be part of the 5,000-acre city of Celebration, to be built by Disney Development Company on Walt Disney World property south of the theme parks.

An agreement among Disney, Osceola County and nearby Stetson University will enable the company to build and run the state-of-the-art facility, which will be owned by the county school district.

Designed for students from preschool through grade 12, it is expected to be open by fall 1996 and will serve as a countywide magnet school while the city is being built and the population increases. Celebration eventually will be home to 20,000 people.

CONSUMER PRODUCTS

Innovation and quality are the hallmarks of Disney Consumer Products, which is readying a wide array of new merchandise and exciting projects for 1995.

This spring, the first free-standing location for the Disney Store in the U.S. opens in San Francisco's famed Union Square shopping district. It will be the largest Disney Store in North America and represents another important milestone for Disney's retail operation.

In February, more than 250 select back-grounds and cel set-ups from Disney's *The Lion King*, offered by Disney Art Editions, will come on the block at the venerable Sotheby's auction house in New York.

The Lion King continues to make tracks within Consumer Products. Early in the year, Walt Disney Records will release *Rhythm of the Pridelands*, a new collection of songs by Lebo, who performed on *The Lion King* original soundtrack.

Simba and friends will also be represented at the first-ever Animation Festival in Buenos Aires, co-sponsored by Disney Art Editions. Celebrating the history of Disney animation, this regional event is expected to attract more than one million people this winter.

The summer release of Walt Disney Pictures' newest animated feature, *Pocahontas*, will be accompanied by a multitude of items designed by artists at Disney Consumer Products.

The release of the film's original soundtrack, by Academy Award-winning composer Alan Menken and lyricist Stephen Schwartz, will coincide with the film's release. Along with the soundtrack will be *Pocahontas* Read-Along, Sing-Along and Play-Along collections. Dozens of *Pocahontas* publications and thousands of items of *Pocahontas* merchandise will convey the story's magic to audiences everywhere.

For the Walt Disney Classics Collection, legendary Disney animator Marc Davis helped design a new Cruella De Vil figurine, which debuts in the summer. (Cruella, of course, is the villainess of Disney's *One Hundred and One Dalmatians*.) Also coming from Disney Collectibles: a special collection featuring Snow White and all seven dwarfs.

Winnie the Pooh will be an important focus throughout 1995 as a national advertising cam-

paign gets under way to bring attention to the lovable bear and his friends from the Hundred Acre Wood. Mattel, Fruit of the Loom, Wamsutta and Binney & Smith have entered into license agreements to support the Pooh line, which is designed to strengthen Disney's everyday presence at the retail level.

The *Disney Encyclopedia of Baby and Child Care* will be published by Hyperion this spring. It's a colorful, easy-to-understand guide to raising children. Other publishing units, including Mouse Works and Disney Press, will offer a wide variety of titles for readers of all ages.

Barton K. Boyd,
president, Disney
Consumer Products.



Courage, wisdom, honesty and strength are *The Four Diamonds* in The Disney Channel premiere film of the same name. Thomas Guiry stars in this film based on a true story of a boy who wins his battle against cancer.

The new Disney Interactive business unit released Disney's *Animated Storybook of The Lion King*, which became a best seller in only its second week on the market.



The Walt Disney Company



Nancy Dennis Whitaker, outstanding teacher of performing arts at the 1994 American Teacher Awards, takes a bow with her students who performed during the show.

Presents...The 5th Annual



Nominees for the 1994 Outstanding Teacher Award gather for pre-show photo session.

American Teacher Awards

"And the **Outstanding Teacher** of the year is . . ."

For the past five years, The Walt Disney Company has sponsored what has become a major event among America's school teachers: *The Walt Disney Company Presents The American Teacher Awards*. Similar in staging to the major events that recognize achievers in the entertainment industry, The American Teacher Awards pay honor to the nation's top public school teachers for their contributions to America's future.

Huong Tran Nguyen, a Foreign Language/English-as-a-Second Language (ESL) teacher from Polytechnic High School, Long Beach, CA, was named Outstanding Teacher of 1994 by John F. Cooke, president of The Disney Channel, on the fifth annual program held this year in Washington, DC, on November 16.

In a new feature of the awards ceremony, the first Frank G. Wells Award, named in honor of the late Walt Disney Company president, was presented to the legendary former UCLA basketball coach John Wooden by U.S. Senator Bill Bradley of New Jersey. The award, to be given annually, goes "to that individual outside the teaching profession, whose life of civility, compassion, integrity, humility and respect for all humanity provides a compass for human behavior as Frank Wells did."

Created by Disney Chairman Michael D. Eisner to promote recognition and respect for excellence in the classroom, The American Teacher Awards are among the most prestigious in the teaching field. The award ceremony is aired on The Disney Channel during its free Holiday Preview, where it can be seen by some 50 million cable viewers.

This year, the awards were presented by such celebrities as Alan Alda, Debbie Allen, Anita Baker, Jackson Browne, Gabrielle Carteris, Cindy Crawford, Tony Danza, Jill Eikenberry, Melanie Griffith, Mel Harris, Marlee Matlin, Harry Smith, Michael Tucker, Billy Dee Williams and Paula Zahn.

Months before the awards program, a selection committee composed of representatives from the nation's leading education organizations selects five teachers in each of 12



UCLA basketball
coaching great

John Wooden was
the first recipient
of the Frank G.
Wells Memorial
Award. Making
the presentation
was U.S. Senator
Bill Bradley of
New Jersey.



The entire cast of *The Walt Disney Company Presents The American Teacher Awards*, including teacher honorees, celebrity presenters and performers, takes a bow at the conclusion of the November 16 telecast from Washington's Warner Center.

subject categories from the hundreds of applications submitted. Subject categories are Athletic Coach, Early Childhood, English, Foreign Language/English-as-a-Second Language, General Elementary, Mathematics, Performing Arts, Physical Education and Health, Science, Social Studies, Visual Arts and Vocational/Technical Education.

A video profile of each of these teachers at work in the classroom is created and used by the selection committee to determine which 36 teachers, three in each category, will be honored in *The American Teacher Awards* gala event. One honoree in each category is announced on stage as the outstanding teacher of that subject, and during the awards show, the 36 teachers select the "Outstanding Teacher of the Year" from among the 12 outstanding subject category nominees.

Nominees for 1994 were: Patrick G. Deegan, Vienna, VA; Herbert C. Meyer, Oceanside, CA; Daniel M. Paul, Presque Isle, ME; Kevin L. Brooks, Baker, LA; Barbara Skolnick Rothenberg, Amherst, MA; Marcella Vancil, Urbana, IL; Edward J. Cabil, Los Angeles, CA; Tom Delaney, Atlanta, GA; Delia Garza, San Antonio, TX; Huong Tran Nguyen, Long Beach, CA;

Also: Barbara Pope Bennett, Washington, DC; Jim Word, Blue Springs, MO; Steven Levy, Lexington, MA; Elba Iris Marrero, New York, NY; Jean Smith, Somonauk, IL; Beverly Y. Davidman, New York, NY; Janet Eileen McGregor, Punta Gorda, FL; Jo Ann Schuette, Wichita, KS; Yvonne James-Brown, Buffalo, NY; Paul Ritter, Great Falls, MT;

Also: Nancy Dennis Whitaker, Greenville, SC; Robert E. Bronger, Jr., Crestwood, KY; Ann Greiner, Atlanta, GA; Dr. Stephen R. Sroka, Cleveland, OH; Janet L. Coyle Sorensen, Boulder, CO; Lory E. Heron, Reno, NV; Otto Phanstiel, Jacksonville, FL; Mary Catherine Bradshaw, Nashville, TN; Michael Jager, Medford, OR;

Also: John Raby, Martinsville, NJ; Jina M. Ferraro, Phoenix, AZ; Rosalind Knight, North Las Vegas, NV; Ray Lund, Saco, ME; Phil Isernio, Kent, WA; Kenneth H. Juzswik, Detroit, MI; and Robert Maurais, Yarmouth, ME.

Huong Tran Nguyen, Foreign Language/English-as-a-Second Language teacher from Polytechnic High School, Long Beach, California was named Outstanding Teacher of 1994.



The Honor Roll of American Teacher Award nominees in previous years includes the following:

Alabama

Cynthia Crump Crist
Mobile

Cathy Hess
Montgomery

Alaska

Jo Sanders
Anchorage

Joseph Usen
Anchorage

Arizona

Karen Butterfield
Flagstaff

Gloria Joe
Payson

Angelina Saraficio
Sells

Arkansas

Peggy Jane Covington
Little Rock

California

Pann Baltz
Arcadia

Patti Baker
Auburn

Ron Valenti
Bakersfield

David Richmond
Bakersfield

Ann Cynthia Nunno Bean
Burbank

Sandra Leslie
Golden

Richard Sayers
Longmont

Angelique Acevedo
Lakewood

Connecticut

Joseph Erardi
Manchester

District of Columbia

Shirley Hopkinson
Washington

Douglas Tyson
Washington

Florida

Christine Watkins
Altamonte Springs

Larry Edward Souter, Sr.
Miami

Linda Wright
Miami

Joan Dyer
Okeechobee

Margaret Myrick Ingram
Vero Beach

Georgia

Helen Smith-Kidwell
Atlanta

Jimmy Nations
Dalton

Hawaii

Katherine Fujii
Mililani Town



Rafe Esquith
Outstanding Teacher of 1992

Almenia Freeman Williams
Baton Rouge

Lauradis Cordet
New Orleans

Lula Elzy
New Orleans

Maryland

Cyrella Hergenhan
Arbutus

Ann Anderson
Ft. Washington

Morgan Wootten
Hyattsville

Cynthia White
Silver Spring

Warren Marcus
Silver Spring

Massachusetts

W. Dean Eastman
Andover

Rebecca Goldman
Brookline

Robin Silverman
Hopkinton

Ron Galliher
South Weymouth

Minnesota

Dennis Peterson
Bemidji

Colleen Callahan
St. Paul

Mississippi

Frances McLean Coleman
Ackerman

Jacque Rogers
Collins

Nelle DeLoach Elam
Starkville

Missouri

Joan Shaver
Blue Springs

Edward Dunn
Rock Hill

Barbara Heimburger
St. Louis

Montana

Curt Prchal
Billings

Nebraska

Betty Kort
Hastings

Susan McNeil
Taylors

Nevada

Marcia MacCagno Neel
Henderson

New Jersey

Richard Bennett
Midland Park

New Mexico

Joyce Briscoe
Albuquerque

Larry Torres
Arroyo Seco

Carolyn Pitcaithley
Carlsbad

Ralph Tasker
Hobbs

New York

Kay Toliver
Bronx

Andrew Turay
Bronx

Leo Casey
Brooklyn

Meryl Meisler
Brooklyn

Chirakkal Krishnan
Coram

Joseph Sweeney
Flushing

Floyd Holt
Hyde Park

Constance Hayes
Lake Grove

Joseph Borrosh
Macedon



Edward M. Schroeder
Outstanding Teacher of 1991

Kristine Terrillion
N. Syracuse

Bill Roney
New York

Patricia James Jordan
New York

Arthur Eisenkraft
Ossining

Felicia Gerald
Palisades

North Carolina

Edwina Gross
Fayetteville

Ohio

Spencer Reames
Bellefontaine

Richard Dale Benz
Chardon

Gwendolyn Raleigh Womack
Cincinnati

Ellen Perry
Columbus

Art Isenngale
Columbus

Judy Haller
Englewood

Oklahoma

Nick Kyle
Oklahoma City

Oklahoma

Nick Kyle
Oklahoma City

Carolyn Cotton
Sand Springs

Oregon

Neil Van Steenberg
Eugene

Oregon

Neil Van Steenberg
Eugene

Pennsylvania

Steve Korpa
Bethel Park

Elaine Baer
King of Prussia

Todd Cole
New Wilmington

Cathy Rex
Philadelphia

Susan Rodriguez
Philadelphia

Joseph Festa
Scranton/Walter Straiton III
Williamsport

Rhode Island

Leonard DeAngelis
Newport

Harold Weymouth
Portsmouth

South Carolina

Christina Petrusick
Columbia

Robert Russell Taylor
Greenwood

South Dakota

Steven Kirsch
Pierre

Tennessee

Eleanore Zurbrugg
Cordova

Frank Thomas
Humboldt

Judy Darden
Kingsport

Lulah Hedgeman
Memphis

Donna Freeman
Memphis

Texas

Janet Walton Hayes
Friendswood

William Hudson, Jr.
Ft. Worth

Leta Andrews
Granbury

Sandra Hinajosa
Laredo

Leo Armando Ramirez, Sr.
McAllen

John Guardia
San Antonio

Pamela Townsend
Texarkana

Virginia

Wendell Byrd
Herdon

Patricia Taylor
Richmond

James Percoco
Springfield

Washington

Loretta Kusak
Mercer Island

Stephen Fox
Puyallup

Patrick Pfeifer
Spokane

West Virginia

Danny Prado
Moundsville

Wisconsin

Tom O'Brien
Sheboygan Falls

Wyoming

Joan Barker
Rock Springs

Germany

Carolyn Materna McCloskey
6450 Hanau, Germany



Pann Baltz
Outstanding Teacher of 1993



Leta Andrews
Outstanding Teacher of 1993

Vincent Gomez
Chino Hills

Anthony Jackson
Corona

Rafe Esquith
Los Angeles

Robin Kramer
Mountain View

Belen Leon Garcia
Orange

Joyce O'Jibway-Jennings
Ramona

Herbert Holland
San Pedro

Kerrill Kephart
Santa Ana

Patti Post
Santa Barbara

Robin Share
Van Nuys

Ron Wakefield
Whittier

Colorado

Joan Powell
Colorado Springs

Cheryl Peden
Colorado Springs

Rachel Anne Sennert-Ramsell
Colorado Springs

OliveAnn Slotta
Denver

Idaho

Ruth Baize
Evansville

Illinois

Robert Gauger
Bloomington

Edward Schroeder
Granite City

Judy Rappin
Lincolnwood

Joan Jensen Moran
Sterling

Indiana

Sonja Cassidy
Elkhart

Ruth Baize
Evansville

Lawrence Hurt
Indianapolis

Sam Chaffin
Lexington

Charles Bird
Valparaiso

Kansas

Virginia Honomichi
Baldwin City

Carol Swinney
Hugoton

Donna Jean Spaeth
Wichita

Louisiana

Ruth Smith
Baton Rouge



Sylvia Washburn
Outstanding Teacher of 1990

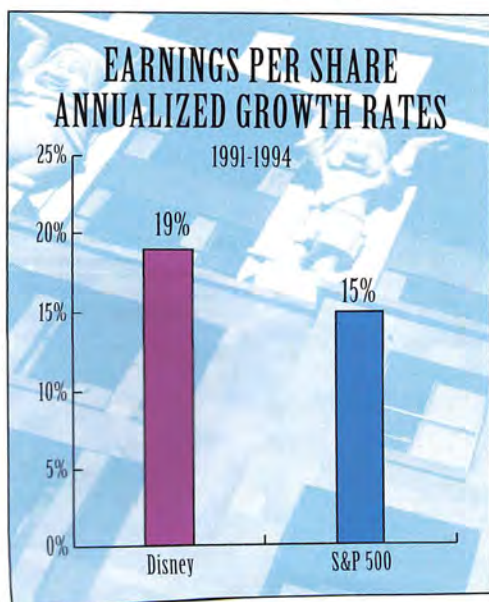


Richard D. Nanula,
executive vice president and
chief financial officer.

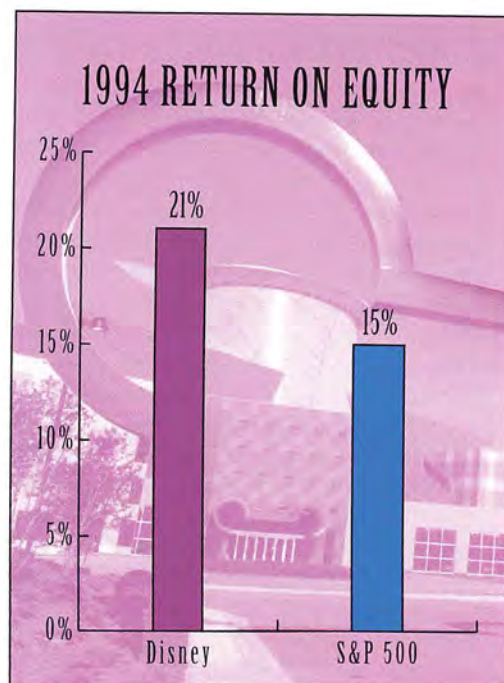
FINANCIAL REVIEW

Financial and Strategic Objectives

The Walt Disney Company continues to strengthen its position as the leading global provider of family entertainment from a creative, strategic and financial standpoint. The company's financial performance objectives are to achieve 20% compound annual earnings growth over five-year periods, beginning with 1991 as the initial base year, and 20% annual return on stockholders' equity. In 1994, the company's earnings per share increased to \$2.04, 25% higher than 1993 earnings per share of \$1.63 before the cumulative effect of accounting changes and Euro Disney reserves. Disney's earnings per share have grown at a 19%



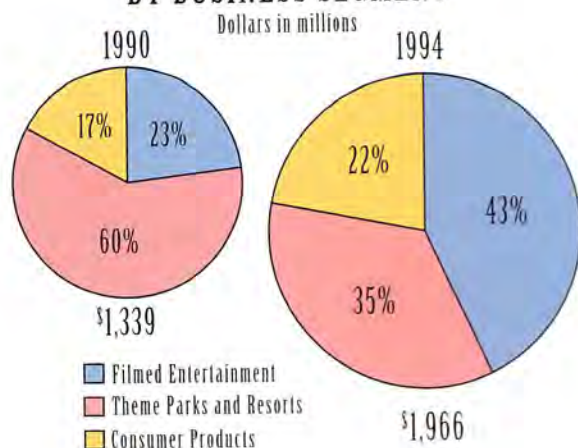
compound annual rate since 1991. In 1994, Disney achieved its ROE target, delivering a 21% return on stockholders' equity.



The company pursues its financial objectives within the context of its global strategic objectives: to sustain Disney as the world's premier entertainment company; to protect and build upon the Disney name and franchise; and to preserve and foster quality, imagination and guest service, the basic values at the core of the company's success.

In recent years the company has strengthened the balance among the operating income contributions of each of its three major business segments.

OPERATING INCOME BY BUSINESS SEGMENT



1994 was the first year that Filmed Entertainment operating income, at 43% of the total, surpassed that of Theme Parks and Resorts, making it the company's largest business segment. Additionally, Consumer Products, at 22%, is today a much larger contributor to the company's overall operating income than five years ago. This more balanced operating income mix lessens the exposure of the company as a whole to weakness in any single segment, and thus assists the company in the pursuit of its financial objectives.

In addition, the company seeks to build shareholder value by strengthening capital management. This includes: increasing asset utilization and working capital efficiency to generate additional income from our existing capital base; allocating capital to launch new businesses and expand current businesses that offer superior return-on-investment prospects; and lowering the cost of capital by leveraging our conservative capital structure through a share repurchase program.

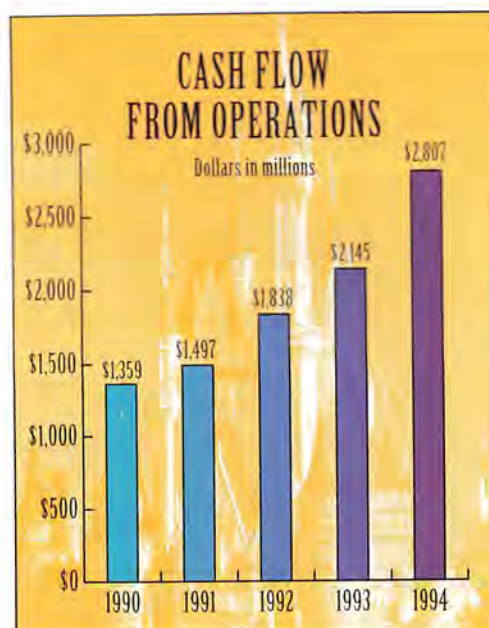
Repurchase of Shares

Disney seeks opportunities to enhance shareholder value by repurchasing shares on the open market at prices the company deems favorable. In 1994, 22.7 million Disney shares were repurchased through November at an average price of \$40.50, for a total investment of approximately \$920 million. The repurchase of shares enhances future earnings per share and return on equity by reducing the total number

of shares outstanding. Since the stock repurchase program was instituted in 1985 and extended in 1990, the company has invested \$1.7 billion to buy back approximately 76 million shares at an average price of \$22.94. Measured as of November 30, 1994, these shares would be worth \$3.3 billion. Including an additional 90 million shares recently approved for repurchase by the company's Board of Directors, Disney currently has authorization to repurchase 104 million more shares.

Cash Flow and Capital Spending

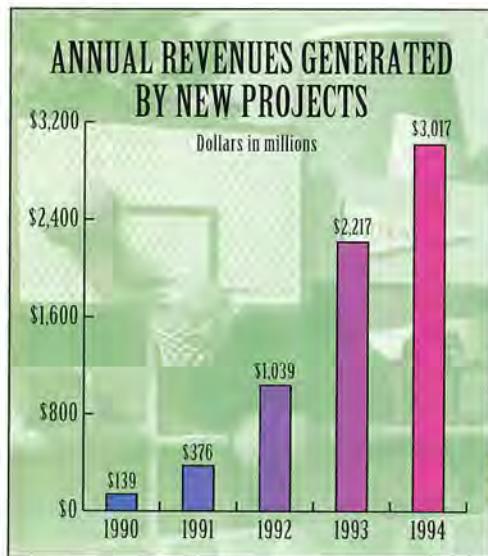
The Walt Disney Company continues to generate substantial cash flow from operations to fund investment in new and existing businesses.



Over the past five years, Disney has generated total cash flow from operations of \$9.6 billion, representing growth at a compound annual rate of 17%. The company's earnings before interest, taxes, depreciation and amortization (EBITDA) equaled \$2.2 billion in 1994.

During 1994, approximately \$80 million, or 3%, of total cash flow from operations was used to maintain existing assets. Additional funds were used to expand existing businesses and invest in new businesses, to fund Disney's commitment in the restructuring of Euro Disney and to repurchase shares. The company's substantial cash and investment portfolio—\$1.5 billion as of September 30, 1994—and its low debt-to-equity ratio of 53% provide the flexibility to continue investing in new businesses, repurchasing shares and forging alliances and new ventures with other quality companies.

The strategy of investing in new projects continues to fuel Disney's growth. Revenues



generated by projects initiated during the last five years—which include Disney's entry into the direct-to-video marketplace, several new hotels at the Walt Disney World Resort and the international Disney Stores—grew to \$3.0 billion in 1994, 36% higher than in 1993, and now represent 30% of total company revenues.

Financial Strategies

In March 1994, Disney raised \$475 million from a new senior participating note issue. With interest costs tied to the performance of a portfolio of the company's films, the financing marked a continuation of Disney's strategy of sharing the risks and rewards of the film business with outside investors. And, as further evidence of the worldwide strength and recognition of the company's brand name and quality, Disney became the first non-Japanese corporation to sell bonds into the Japanese retail market with a ¥30 billion "Samurai" bond issue completed in June. The bonds carry a 3% coupon and mature in December 1997. This financing raised approximately \$285 million for the company.

Approximately \$2.4 billion, or almost 23%, of the company's total revenues are generated overseas and are largely denominated in foreign currencies. Disney carefully monitors and manages its economic exposure to foreign currency fluctuations as part of its overall financial risk management program.

Euro Disney

In 1994, a financial restructuring of Euro Disney was completed by Euro Disney's shareholders, the company and 63 lending banks.

The restructuring agreement provided that Euro Disney's lenders waive certain interest payments and that The Walt Disney Company waive royalties and management fees for specified periods.

As part of the plan to reduce Euro Disney's debt, the banks, Euro Disney's shareholders and the company participated in a FF 6.0 billion equity rights offering completed in August 1994. The Walt Disney Company reduced its equity interest in Euro Disney from 49% to 39% through the sale of shares to a Saudi Arabian investor, Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud, in October 1994. Prince Alwaleed now holds a 24.6% stake in Euro Disney. The successful restructuring reflects an equitable sharing of financial responsibilities by all parties and has helped to place the Paris park on an improved financial footing.

Dividends and Total Return to Investors

In January 1994, Disney's Board of Directors voted to increase the company's quarterly dividend by 20%—as it has each year since 1988—from 6.25¢ to 7.5¢ per share. Over the past five years, Disney's annual dividend has grown 20% on a compound annual basis, a rate five times faster than that of the Standard & Poor's 500 during the same period.



As a result of Disney's strong financial performance and earnings growth, driven by its expansion and investment in new businesses over the past decade, long-term investors in Disney have enjoyed a healthy return on their investment. In fact, a \$1,000 investment in Disney stock on September 30, 1984—including reinvestment of dividends—would have been worth \$11,731 on September 30, 1994, a 28% compound annual return. A similar investment in the Standard & Poor's 500 would have been worth \$3,888 on September 30, 1994, representing a 15% annual return to investors.

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

1994 vs. 1993

Revenues increased 18% or \$1.53 billion to a record \$10.06 billion in 1994, driven by \$1.12 billion of growth in Filmed Entertainment, primarily due to the success of home video releases worldwide, the theatrical release of *The Lion King* worldwide, except for Europe, and growth in the number of titles available for theatrical and television distribution, and \$383.1 million of growth in Consumer Products, reflecting continued expansion of the Disney Stores and the strength of character merchandise licensing worldwide. Revenues of \$2.36 billion from foreign operations in all business segments increased 30% or \$539.1 million in 1994 and represented 23% of total revenues, an increase of two percentage points over 1993.

Operating income rose 14% or \$241.2 million to a record \$1.97 billion in 1994, driven by increases in Filmed Entertainment and Consumer Products operating income of \$233.9 million and \$70.1 million, respectively, partially offset by Theme Parks and Resorts results, which declined \$62.8 million. Filmed Entertainment growth was generated primarily by the success of home video activities, including the worldwide release of *Aladdin*, the domestic releases of *The Fox and the Hound* and *The Return of Jafar*, and the international releases of *The Jungle Book* and *Bambi*. The strong performance of *The Lion King* (excluding Europe) also contributed to growth. Increased Consumer Products operating income was driven by worldwide character merchandise licensing growth generated by traditional Disney characters and new animated film properties, including *Aladdin* and *The Lion King*. Theme Parks and Resorts operating income reflected lower attendance at Florida and California theme parks, partially offset by higher guest spending and increased occupied rooms in Florida.

Costs and expenses increased 19% or \$1.28 billion in 1994, reflecting higher film cost amortization, increased distribution and selling costs related to home video and theatrical product, increased operating costs related to expansion of the Disney Stores, and increased operating costs associated with the expansion of theme park attractions and resorts in Florida.

Income increased 65% to a record \$1.11 billion and earnings per share increased 66% to a record \$2.04 from \$671.3 million and \$1.23, respectively, before the cumulative effect of accounting changes in 1993. Excluding Euro Disney reserves, which

negatively impacted 1993 results, income and earnings per share grew 25%.

1993 vs. 1992

Revenues increased 14% or \$1.03 billion to \$8.53 billion in 1993, driven by \$558.2 million of growth in Filmed Entertainment, resulting primarily from successful home video releases and increased international theatrical distribution activities, and \$333.2 million of growth in Consumer Products, reflecting continued expansion of the Disney Stores worldwide and increased character merchandise licensing activities. Revenues of \$1.82 billion from foreign operations in all business segments increased 25% or \$362.1 million in 1993 and represented 21% of total revenues, an increase of two percentage points over 1992.

Operating income increased 20% or \$289.2 million to \$1.72 billion in 1993, reflecting Filmed Entertainment growth of \$113.9 million, Theme Parks and Resorts growth of \$102.9 million, and Consumer Products growth of \$72.4 million. Higher Filmed Entertainment operating income was due to the successful worldwide home video and international theatrical release of *Beauty and the Beast*, the strong theatrical release of *Aladdin* worldwide, except for Europe, the domestic home video release of *Pinocchio*, and greater product availabilities in pay television and worldwide television syndication. Theme Parks and Resorts operating income grew as a result of increased theme park per capita spending and higher occupied rooms at Florida resorts together with increased sales at the Disney Vacation Club and higher royalties from Tokyo Disneyland. Consumer Products results primarily reflected increased demand for Disney licensed products in worldwide markets.

Costs and expenses increased 12% or \$736.0 million in 1993, reflecting higher film cost amortization, distribution and selling costs related to increased product availabilities in Filmed Entertainment, increased costs associated with the expansion of resort properties in Florida, and increased operating and start-up costs related to expansion of the Disney Stores and new business ventures in Consumer Products.

Income and earnings per share before the cumulative effect of accounting changes in 1993 (described below) decreased 18% to \$671.3 million and 19% to \$1.23, respectively, from \$816.7 million and \$1.52 in 1992. The decrease reflected the impact of a \$350.0 million charge to fully reserve the Company's current receivables and funding commitment to Euro Disney and the Company's equity share of Euro Disney's operating loss. (See Note 2 of Notes to Consolidated Financial Statements.) The Company's 1993 net income and earnings per share

were significantly impacted by the change in accounting method for pre-opening costs and the impact of adopting two new required Statements of Financial Accounting Standards, *Employers' Accounting for Postretirement Benefits Other Than Pensions* (SFAS 106) and *Accounting for Income Taxes* (SFAS 109).

The cumulative effect of the change in accounting method for pre-opening costs resulted in a charge of \$271.2 million or \$.50 per share. In addition, the cumulative effect of adopting SFAS 106 was a charge of \$130.3 million or \$.24 per share, partially offset by the \$30.0 million or \$.06 per share benefit from adopting SFAS 109. (See Notes 1, 6, 7 and 11 of Notes to Consolidated Financial Statements.)

Net income after the cumulative effect of accounting changes in 1993 decreased 63% to \$299.8 million from \$816.7 million in 1992 and earnings per share fell 64% to \$.55 from \$1.52.

Filmed Entertainment

1994 vs. 1993

Revenues increased 30% or \$1.12 billion to \$4.79 billion in 1994, driven by growth of \$731 million in worldwide home video revenues, \$224 million in worldwide theatrical revenues, and \$99 million in television revenues. Domestic home video revenues were driven by *Aladdin*, *The Fox and the Hound* and *The Return of Jafar* compared to *Beauty and the Beast* and *Pinocchio* in 1993, while international home video revenues were driven by *The Jungle Book*, *Aladdin* and *Bambi* compared to *Beauty and the Beast* and *Cinderella* in the prior year. Theatrical revenues increased due to the worldwide release of *The Lion King*, except for Europe, *Aladdin* in Europe, and continued expansion of theatrical productions, including full-year operations of Miramax, which was acquired in June 1993. Television revenues grew due to increased title availabilities worldwide.

Operating income increased 38% or \$233.9 million to \$856.1 million in 1994, driven by growth in worldwide home video activity and television, partially offset by lower worldwide theatrical operating income, reflecting lower results per film in 1994. Theatrical results in 1993 were driven by the worldwide release of *Aladdin*, except for Europe, and international releases of *Beauty and the Beast*, *Sister Act* and *The Jungle Book* compared to the current year's release of *The Lion King*, the European release of *Aladdin*, and the international release of *Cool Runnings*. Costs and expenses increased 29% or \$886.0 million, principally due to higher film cost amortization, and increased distribution and selling costs, resulting from increased home video and theatrical activities.

1993 vs. 1992

Revenues grew 18% or \$558.2 million to \$3.67 billion in 1993, driven by growth of \$283 million in worldwide home video revenues, \$137 million in international theatrical revenues, and \$107 million in television revenues. Worldwide home video growth was driven by *Beauty and the Beast* and *Pinocchio* domestically and *Beauty and the Beast* and *Cinderella* internationally. Higher theatrical revenues reflected the release of *Aladdin* and the international releases of *Beauty and the Beast*, *Sister Act* and *The Jungle Book*, offset by the disappointing performances of certain domestic live-action releases. Television revenues increased primarily as a result of growth in pay television and worldwide syndication, reflecting increased activity as more product was made available to those markets.

Operating income rose 22% or \$113.9 million to \$622.2 million in 1993, primarily due to growth in worldwide home video and television distribution. Results also reflected the positive impact of continued growth in The Disney Channel subscriber base. Strong international theatrical performances were offset by lower domestic theatrical results. Costs and expenses increased 17% or \$444.3 million, principally due to higher film cost amortization and increased distribution and selling costs, resulting from increased home video and theatrical activities.

Theme Parks and Resorts

1994 vs. 1993

Revenues of \$3.46 billion in 1994 were substantially unchanged from the prior year, as \$86 million of growth in guest spending at Florida theme parks and resorts and \$47 million of growth from increased occupied rooms at Florida resorts offset the \$114 million impact of lower attendance at Florida and California theme parks. Guest spending rose, primarily due to expanded product offerings and certain price increases, while the increase in occupied rooms reflected absorption of additional capacity from the third quarter openings of Disney's Wilderness Lodge and Disney's All-Star Sports Resort, and expansion at the Disney Vacation Club. Lower attendance was driven by reduced international tourism.

Operating income decreased 8% or \$62.8 million to \$684.1 million in 1994, reflecting the impact of reduced revenues from lower theme park attendance. Costs and expenses, which consist principally of labor, costs of merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment and marketing, increased 3% or \$85.7 million, primarily due to expansion of theme park attractions and resorts in Florida and a charge recorded in the fourth quarter to write off

certain development costs associated with Disney's America, as a result of the Company's decision to seek a new site for the theme park.

1993 vs. 1992

Revenues rose 4% or \$133.8 million to \$3.44 billion in 1993, primarily due to \$40 million of growth in per capita spending at the theme parks, \$25 million of growth from increased occupied rooms at Florida resorts, and \$52 million of growth from sales of ownership interests at the Disney Vacation Club and increased royalties from Tokyo Disneyland. Per capita spending was higher primarily due to price increases. The increase in occupied rooms resulted from the absorption of additional capacity from the Dixie Landings Resort. Total attendance was flat with the prior year, as the impact of the opening of Mickey's Toontown at Disneyland and the Splash Mountain attraction at Tokyo Disneyland was offset by weakness in the international tourism market at Walt Disney World, due to the poor European economy.

Operating income increased 16% or \$102.9 million to \$746.9 million in 1993, driven by increased per capita spending at the parks, increased occupied rooms and higher room rates at Florida resorts, continued development and sales of ownership interests at the Disney Vacation Club, and increased royalties from Tokyo Disneyland. Costs and expenses increased 1% or \$30.9 million, reflecting increased costs related primarily to resort expansion in Florida, partially offset by decreased current year development spending at Walt Disney Imagineering. In addition, year-over-year comparisons were positively impacted by the prior-year charge relating to the termination of the lease on the Queen Mary hotel and attraction.

Consumer Products

1994 vs. 1993

Revenues increased 27% or \$383.1 million to \$1.80 billion in 1994, driven by growth of \$166 million from the Disney Stores, \$109 million from worldwide character merchandise licensing, and \$87 million from publications, catalogs, and records and audio entertainment. Full-year operations at 62 stores opened in 1993 and 7% higher sales at 177 existing stores generated 58% of Disney Stores' revenue growth; sales from 85 new stores worldwide contributed the remaining 42%. Worldwide merchandise licensing growth was generated by increased demand for traditional Disney characters and new animated film properties, including *Aladdin* and *The Lion King*.

Operating income increased 20% or \$70.1 million to \$425.5 million in 1994, primarily due to the worldwide success of character merchandise

licensing and expansion of the Disney Stores, partially offset by higher costs and expenses. Costs and expenses, which consist principally of costs of goods sold, labor and publicity and promotion, increased 30% or \$313.0 million, primarily reflecting expansion and revenue growth of the Disney Stores and higher expenses in catalog businesses.

1993 vs. 1992

Revenues increased 31% or \$333.2 million to \$1.42 billion in 1993, reflecting growth of \$161 million from worldwide expansion of the Disney Stores, \$78 million from worldwide character merchandise licensing activities, and \$87 million from publications, catalogs and records and audio entertainment. Full-year operations at 64 stores opened in 1992 and 11% higher sales at 113 existing stores generated 60% of Disney Stores' revenue growth; sales from 62 new stores worldwide contributed the remaining 40%.

Operating income increased 26% or \$72.4 million to \$355.4 million in 1993, driven by strong sales of *Aladdin* and *Beauty and the Beast* character merchandise in domestic publications, records and audio entertainment and in the Disney Stores domestically. Additionally, increased sales of both film and standard character properties contributed to the favorable results in domestic and international licensing. Costs and expenses increased 33% or \$260.8 million, primarily due to domestic expansion and start-up costs associated with international expansion of the Disney Stores. Growth in domestic publications and catalog businesses also resulted in higher expenses.

Corporate Activities

General and Administrative Expenses

1994 vs. 1993

General and administrative expenses decreased 1% or \$2.0 million to \$162.2 million in 1994, reflecting operating income from Disney Sports Enterprises (The Mighty Ducks of Anaheim) and lower losses incurred by Hollywood Records, partially offset by higher corporate general and administrative expenses incurred to support growth in the Company's operations and performance-related incentive programs.

1993 vs. 1992

General and administrative expenses rose 11% or \$16.0 million to \$164.2 million in 1993. While corporate general and administrative expenses remained virtually flat, the increase reflected higher operating losses at Hollywood Records in contrast to the prior year, which reflected the success of the *Queen* catalog.

Investment and Interest Income and Interest Expense

1994 vs. 1993

Total investment and interest income decreased 30% or \$56.2 million to \$129.9 million in 1994. The decrease reflected both lower average investment balances and yields.

Interest expense decreased 24% or \$37.8 million to \$119.9 million in 1994, primarily due to the 1993 write-off of unamortized issuance costs related to subordinated notes redeemed by the Company, and increased capitalized interest, resulting from higher capital expenditures in the current year.

1993 vs. 1992

Total investment and interest income increased 43% or \$55.8 million to \$186.1 million in 1993. The increase reflected higher average investment balances, gains on termination of interest rate swap agreements and the favorable impact of leveraged leasing activities.

Interest expense increased 24% or \$30.9 million to \$157.7 million in 1993, primarily due to the write-off of unamortized issuance costs on subordinated notes, which were redeemed during the year, and higher average borrowing balances, partially offset by the impact of lower average rates. The average borrowing rate decreased from 7.2% in 1992 to 6.9% in 1993. Capitalized interest was flat compared to the prior year.

Investment in Euro Disney

1994 vs. 1993

The Company's investment in Euro Disney resulted in a loss of \$110.4 million in 1994. The loss consisted of a \$52.8 million charge recognized in the third quarter as a result of the Company's participation in the Euro Disney financial restructuring, and the Company's equity share of fourth quarter operating results. The prior year loss reflected the Company's equity share of Euro Disney's operating results and a \$350.0 million charge to fully reserve receivables from and a funding commitment to Euro Disney, partially offset by royalties and gain amortization related to the investment. The funding commitment was intended to help support Euro Disney for a limited period, while Euro Disney pursued a financial restructuring.

A proposed restructuring plan for Euro Disney was announced in March 1994. During the third quarter of 1994, the Company entered into agreements with Euro Disney and the Euro Disney lenders participating in the restructuring (the "Lenders"), to provide certain debt, equity and lease financing to Euro Disney.

Under the restructuring agreements, which

specify amounts denominated in French francs, the Company committed to increase its equity investment in Euro Disney by subscribing for 49% of a \$1.1 billion rights offering of new shares; to provide long-term lease financing at a 1% interest rate for approximately \$255 million of theme park assets; and to subscribe, in part through an offset against fully-reserved advances previously made to Euro Disney under the Company's funding commitment, for securities reimbursable in shares with a face value of approximately \$180 million and a 1% coupon. In addition, the Company agreed to cancel fully-reserved receivables from Euro Disney of approximately \$210 million, to waive royalties and base management fees for a period of five years and to reduce such amounts for specified periods thereafter, and to modify the method by which management incentive fees will be calculated. During the fourth quarter of 1994, the financial restructuring was completed and the Company funded its commitments.

In addition to the commitments described above, the Company agreed to arrange for the provision of a 10-year unsecured standby credit facility of approximately \$210 million, upon request, bearing interest at PIBOR. As of September 30, 1994, Euro Disney had not requested the Company to establish this facility.

As part of the restructuring, the Company received 10-year warrants for the purchase of up to 27.8 million shares of Euro Disney at a price of FF 40 per share. The terms of the restructuring also provide that, in the event that Euro Disney decides to launch the second phase of the development of its theme park and resort complex, and commitments for the necessary financing have been obtained, the Company will be entitled to a development fee of approximately \$225 million. Upon receipt of the development fee, the Company's entitlement to purchase Euro Disney shares by exercise of the warrants described above will be reduced to 15 million shares.

In connection with the restructuring, Euro Disney Associés S.N.C. ("Disney SNC"), an indirect wholly-owned affiliate of the Company, entered into a lease arrangement (the "Lease") with the entity (the "Park Financing Company") which financed substantially all of the Disneyland Paris theme park assets, and then entered into a sublease agreement (the "Sublease") with Euro Disney. Under the Lease, which replaced an existing lease between Euro Disney and the Park Financing Company, Disney SNC leased the theme park assets of the Park Financing Company for a noncancelable term of 12 years. Aggregate lease rentals of FF 10.5 billion (\$2.0 billion) receivable from Euro Disney under the Sublease, which has a 12-year term, will approximate the amounts payable by Disney SNC under the Lease.

At the conclusion of the Sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the Lease. If Euro Disney does not exercise its option, Disney SNC may continue to lease the assets, with an ongoing option to purchase them for an amount approximating the balance of the Park Financing Company's outstanding debt. Alternatively, Disney SNC may terminate the Lease, in which case Disney SNC would pay the Park Financing Company an amount equal to 75% of its then-outstanding debt, estimated to be \$1.4 billion; Disney SNC could then sell or lease the assets on behalf of the Park Financing Company in order to satisfy the remaining debt, with any excess proceeds payable to Disney SNC.

As part of the overall restructuring, the Lenders agreed to underwrite 51% of the Euro Disney rights offering, to forgive certain interest charges for the period from April 1, 1994 to September 30, 2003, having a present value of approximately \$300 million, and to defer all principal payments until three years later than originally scheduled. As consideration for their participation in the financial restructuring, Euro Disney issued to the Lenders 10-year warrants for the purchase of up to 40 million shares of Euro Disney stock at a price of FF 40 per share.

Euro Disney has reported that it expects to incur a loss in 1995, which will have a negative impact on the Company's results. The impact on the Company's earnings, however, will be reduced as a result of the sale by the Company in October 1994 of approximately 75 million shares, or 20% of its investment in Euro Disney, to Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud. The sale will reduce the Company's ownership interest in Euro Disney to approximately 39%. Beginning in 1995, the Company will record its equity share of Euro Disney's operating results based upon its reduced ownership interest. The Company has agreed, so long as any obligations to the Lenders are outstanding, to maintain ownership of at least 34% of the outstanding common stock of Euro Disney until June 1999, at least 25% for the subsequent five years and at least 16.67% for an additional term thereafter.

1993 vs. 1992

The Company's investment in Euro Disney resulted in a loss of \$514.7 million in 1993, including the charge referred to below, after being partially offset by royalties and gain amortization related to the investment. The operating results of Euro Disney were lower than expected, due in part to the European recession affecting Euro Disney's largest markets.

During 1993, Euro Disney, its principal lenders and the Company began exploring a financial restructuring for Euro Disney. The Company agreed to help fund Euro Disney for a limited period, to afford Euro Disney time to pursue the financial restructuring. The operating results for the fourth quarter and the year, and the need for a financial restructuring, created uncertainty regarding the Company's ability to collect its current receivables and the funding commitment to Euro Disney. Consequently, the Company recorded a charge of \$350.0 million in the fourth quarter to fully reserve its current receivables and funding commitment.

In 1992, the Company's investment in Euro Disney contributed income of \$11.2 million. Although Euro Disney incurred a loss for 1992, the Company's 49% share of the net loss was offset by royalties and gain amortization related to the investment.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates significant cash from operations and has substantial borrowing capacity to meet its operating and discretionary cash requirements.

Cash provided by operations increased 31% or \$662.1 million to \$2.81 billion in 1994, primarily due to the success of home video releases in Filmed Entertainment and expanded character merchandise licensing activities worldwide in Consumer Products.

Net borrowings (the Company's borrowings less cash and liquid investments) increased \$1.32 billion to \$1.73 billion, reflecting incremental financing activity during the year and the sale of investments to fund cash requirements. New borrowings during the year included \$475 million of senior participating notes (described further below), \$285 million of Japanese yen bonds, and \$164 million of medium-term notes.

In 1994, the Company invested \$1.43 billion to develop and produce film and television properties and \$1.03 billion to design and develop new theme park attractions and resort properties, including Sunset Boulevard and the Twilight Zone Tower of Terror at the Disney-MGM Studios Theme Park, Disney's Wilderness Lodge and initial phases of Disney's All-Star Resorts in Florida, and the Indiana Jones Adventure at Disneyland. The Company also participated in the financial restructuring completed by Euro Disney in 1994, pursuant to which the Company provided \$971.1 million of equity capital and long-term financing to Euro Disney, and agreed to arrange for, upon Euro Disney's request, a 10-year FF 1.1 billion (\$210 mil-

lion) unsecured standby credit facility. In addition, pursuant to agreements executed in connection with the restructuring, the Company sold approximately 75 million (20%) of its Euro Disney shares to Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud for approximately \$145 million in October 1994.

The Company repurchased 13.8 million shares of its common stock for \$570.7 million in 1994, and has repurchased an additional 8.9 million shares for \$348.7 million through November 1994. Under its share repurchase program, the Company is authorized to purchase up to an additional 104 million shares, including 90 million shares authorized by the Board of Directors in November 1994. The Company evaluates share repurchase decisions on an ongoing basis, taking into account borrowing capacity, management's target capital structure, and other investment opportunities. The Company also used \$153 million to fund dividend payments during the year.

The Company currently maintains significant borrowing capacity to take advantage of growth and investment opportunities. The Company focuses on net borrowings, which take into account its cash and investment balances, when monitoring borrowing capacity. The Company's borrowing capacity includes a \$525 million line of credit which is available for general corporate purposes and to support commercial paper issuance.

The Company's financial condition remains strong. The Company believes that its cash, other liquid assets, operating cash flows, access to equity capital markets and borrowing capacity taken together provide more than adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. Expansion of existing businesses includes the design and development of theme park attractions, resort properties, and other real estate developments, expansion of the Disney Stores worldwide, and continued film and television production. Theme park and resort projects currently under development include Blizzard Beach, Celebration, Disney's Boardwalk Resort, the Disney Institute, and additional Disney Vacation Club sites. In addition, the Company continually evaluates discretionary investments in new projects which complement its existing businesses.

Risk Management Strategies

The Company employs a variety of on- and off-balance-sheet financial instruments to manage its business and financial market risks.

During 1994 and 1993, the Company raised \$475 million and \$400 million, respectively, from the issuance of senior participating notes. The notes, due 2001 with a minimum yield of 4.2% and due 2000 with a minimum yield of 1.5%, respectively, are

unique in that a portion of the interest paid is contingent upon the performance of a portfolio of live-action films from Walt Disney Pictures, Hollywood Pictures, Touchstone Pictures, Caravan Pictures, and Miramax. In the future, the Company will continue to seek partners that will share the risks and rewards of its live-action film business.

The Company's foreign currency revenues continue to grow and management believes it is prudent to reduce the risk associated with fluctuations in the value of the U.S. dollar in the foreign exchange markets. The Company uses foreign currency forward contracts, purchased options and option combinations to reduce the impact of changes in the value of its existing foreign currency assets and liabilities and its anticipated future foreign currency revenues denominated in Japanese yen, French francs, German marks, British pounds, and other currencies. The primary focus of the Company's foreign exchange risk management program is to reduce earnings volatility. By policy, the Company maintains hedge coverages between minimum and maximum percentages of its anticipated foreign exchange exposures for each of the next five fiscal years.

The Company is exposed to interest rate risk related to its investments and borrowings. The Company monitors the net interest rate sensitivity of its portfolio of investments and borrowings and uses interest rate swaps, exchange-traded futures, forwards and purchased options to manage the net interest exposure and to lower overall borrowing costs. The Company's objective is to manage the impact of interest rate changes on earnings and on the market value of its investments and borrowings. The Company does not expect interest rate movements to significantly affect its liquidity or operating results in the foreseeable future. For 1994 and 1993, a 1% increase or decrease in interest rates would not have had a material impact on the Company's liquidity or operating results.

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its off-balance-sheet financial instruments, and does not anticipate failure to perform by such institutions. The Company enters into off-balance-sheet transactions only with financial institution counterparties which have a credit rating of single A- or better. The Company's current policy in agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below single A-. With respect to certain contracts, the Company has the right to offset amounts payable to the counterparties to the extent of amounts receivable, further reducing the risk associated with counterparty nonperformance.

CONSOLIDATED STATEMENT OF INCOME
(In millions, except per share data)

Year ended September 30	1994	1993	1992
<i>Revenues</i>			
Filmed entertainment	\$ 4,793.3	\$3,673.4	\$3,115.2
Theme parks and resorts	3,463.6	3,440.7	3,306.9
Consumer products	<u>1,798.2</u>	<u>1,415.1</u>	<u>1,081.9</u>
	<u>10,055.1</u>	<u>8,529.2</u>	<u>7,504.0</u>
<i>Costs and Expenses</i>			
Filmed entertainment	3,937.2	3,051.2	2,606.9
Theme parks and resorts	2,779.5	2,693.8	2,662.9
Consumer products	<u>1,372.7</u>	<u>1,059.7</u>	<u>798.9</u>
	<u>8,089.4</u>	<u>6,804.7</u>	<u>6,068.7</u>
<i>Operating Income</i>			
Filmed entertainment	856.1	622.2	508.3
Theme parks and resorts	684.1	746.9	644.0
Consumer products	<u>425.5</u>	<u>355.4</u>	<u>283.0</u>
	<u>1,965.7</u>	<u>1,724.5</u>	<u>1,435.3</u>
<i>Corporate Activities</i>			
General and administrative expenses	162.2	164.2	148.2
Interest expense	119.9	157.7	126.8
Investment and interest income	<u>(129.9)</u>	<u>(186.1)</u>	<u>(130.3)</u>
	<u>152.2</u>	<u>135.8</u>	<u>144.7</u>
<i>Income (Loss) from Investment in Euro Disney</i>	<u>(110.4)</u>	<u>(514.7)</u>	<u>11.2</u>
<i>Income Before Income Taxes and Cumulative Effect of Accounting Changes</i>	1,703.1	1,074.0	1,301.8
Income taxes	<u>592.7</u>	<u>402.7</u>	<u>485.1</u>
<i>Income Before Cumulative Effect of Accounting Changes</i>	1,110.4	671.3	816.7
<i>Cumulative Effect of Accounting Changes</i>			
Pre-opening costs	-	(271.2)	-
Postretirement benefits	-	(130.3)	-
Income taxes	-	30.0	-
<i>Net Income</i>	<u>\$ 1,110.4</u>	<u>\$ 299.8</u>	<u>\$ 816.7</u>
<i>Amounts Per Common Share</i>			
<i>Earnings Before Cumulative Effect of Accounting Changes</i>	\$ 2.04	\$ 1.23	\$ 1.52
<i>Cumulative Effect of Accounting Changes</i>			
Pre-opening costs	-	(.50)	-
Postretirement benefits	-	(.24)	-
Income taxes	-	.06	-
<i>Earnings Per Share</i>	<u>\$ 2.04</u>	<u>\$.55</u>	<u>\$ 1.52</u>
<i>Average Number of Common and Common Equivalent Shares Outstanding</i>	<u>545.2</u>	<u>544.5</u>	<u>536.8</u>
<i>Pro Forma Amounts Assuming the New Accounting Method for Pre-opening Costs is Applied Retroactively</i>			
<i>Net Income</i>		<u>\$ 571.0</u>	<u>\$ 672.7</u>
<i>Earnings Per Share</i>		<u>\$ 1.05</u>	<u>\$ 1.25</u>

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET
(In millions)

September 30	1994	1993
<i>Assets</i>		
Cash and cash equivalents	\$ 186.9	\$ 363.0
Investments	1,323.2	1,888.5
Receivables	1,670.5	1,390.3
Merchandise inventories	668.3	608.9
Film and television costs	1,596.2	1,360.9
Theme parks, resorts and other property, at cost		
Attractions, buildings and equipment	7,450.4	6,732.1
Accumulated depreciation	<u>(2,627.1)</u>	<u>(2,286.4)</u>
	4,823.3	4,445.7
Projects in progress	879.1	688.2
Land	<u>112.1</u>	<u>94.3</u>
	5,814.5	5,228.2
Investment in Euro Disney	629.9	—
Other assets	<u>936.8</u>	<u>911.3</u>
	<u><u>\$12,826.3</u></u>	<u><u>\$11,751.1</u></u>
<i>Liabilities and Stockholders' Equity</i>		
Accounts payable and other accrued liabilities	\$ 2,474.8	\$ 2,530.1
Income taxes payable	267.4	291.0
Borrowings	2,936.9	2,385.8
Unearned royalty and other advances	699.9	840.7
Deferred income taxes	939.0	673.0
Stockholders' equity		
Preferred stock, \$.10 par value		
Authorized - 100.0 million shares		
Issued - none		
Common stock, \$.025 par value		
Authorized - 1.2 billion shares		
Issued - 567.0 million shares and 564.6 million shares	945.3	876.4
Retained earnings	5,790.3	4,833.1
Cumulative translation adjustments	<u>59.1</u>	<u>36.7</u>
	6,794.7	5,746.2
Less treasury stock, at cost - 42.9 million shares and 29.1 million shares	<u>1,286.4</u>	<u>715.7</u>
	<u>5,508.3</u>	<u>5,030.5</u>
	<u><u>\$12,826.3</u></u>	<u><u>\$11,751.1</u></u>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

Year ended September 30	1994	1993	1992
Cash Provided by Operations Before Income Taxes	\$3,127.7	\$2,453.9	\$2,132.0
Income taxes paid	(320.4)	(308.7)	(293.9)
	<u>2,807.3</u>	<u>2,145.2</u>	<u>1,838.1</u>
<i>Investing Activities</i>			
Film and television costs	(1,433.9)	(1,264.6)	(606.0)
Investments in theme parks, resorts and other property	(1,026.1)	(813.9)	(599.1)
Euro Disney investment	(971.1)	(140.1)	(68.3)
Purchases of investments	(952.7)	(1,313.5)	(1,008.5)
Proceeds from sales of investments	1,494.1	841.0	409.0
Other	3.0	31.4	(50.8)
	<u>(2,886.7)</u>	<u>(2,659.7)</u>	<u>(1,923.7)</u>
<i>Financing Activities</i>			
Borrowings	1,866.4	1,256.0	182.8
Reduction of borrowings	(1,315.3)	(1,119.2)	(184.6)
Repurchases of common stock	(570.7)	(31.6)	—
Dividends	(153.2)	(128.6)	(105.3)
Other	76.1	136.1	71.4
	<u>(96.7)</u>	<u>112.7</u>	<u>(35.7)</u>
Decrease in Cash and Cash Equivalents	(176.1)	(401.8)	(121.3)
Cash and Cash Equivalents, Beginning of Year	363.0	764.8	886.1
Cash and Cash Equivalents, End of Year	<u>\$ 186.9</u>	<u>\$ 363.0</u>	<u>\$ 764.8</u>
The difference between Income Before Income Taxes and Cumulative Effect of Accounting Changes as shown on the Consolidated Statement of Income and Cash Provided by Operations Before Income Taxes is explained as follows.			
Income Before Income Taxes and Cumulative Effect of Accounting Changes	<u>\$1,703.1</u>	<u>\$1,074.0</u>	<u>\$1,301.8</u>
Cumulative effect of accounting changes	—	(514.2)	—
<i>Charges to Income Not Requiring Cash Outlays</i>			
Depreciation	409.7	364.2	317.3
Amortization of film and television costs	1,198.6	664.2	442.3
Euro Disney	110.4	350.0	—
Other	121.1	163.5	155.4
<i>Changes in</i>			
Receivables	(280.2)	(211.0)	(161.5)
Merchandise inventories	(59.4)	(146.1)	(151.2)
Other assets	(81.5)	197.0	(121.3)
Accounts payable and other accrued liabilities	146.7	544.4	335.9
Unearned royalty and other advances	(140.8)	(32.1)	13.3
	<u>1,424.6</u>	<u>1,379.9</u>	<u>830.2</u>
Cash Provided by Operations Before Income Taxes	<u>\$3,127.7</u>	<u>\$2,453.9</u>	<u>\$2,132.0</u>
Supplemental Cash Flow Information:			
Interest paid	<u>\$ 99.3</u>	<u>\$ 77.3</u>	<u>\$ 62.5</u>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1. Description of the Business and Summary of Significant Accounting Policies

The Walt Disney Company, together with its subsidiaries (the "Company"), is a diversified international entertainment company with operations or investments in the following businesses.

FILMED ENTERTAINMENT

The Company produces and acquires live-action and animated motion pictures for distribution to the theatrical, television and home video markets. The Company also produces original television programming for the network and first-run syndication markets. The Company distributes its filmed product through its own distribution and marketing companies in the United States and most foreign markets. The Company provides programming for and operates The Disney Channel, a pay television programming service, and a Los Angeles, California television station.

THEME PARKS AND RESORTS

The Company operates the Walt Disney World® destination resort in Florida and the Disneyland Park® and Disneyland Hotel in California. The Walt Disney World destination resort includes the Magic Kingdom, Epcot and the Disney-MGM Studios Theme Park, ten resort hotels and a complex of villas and suites, a nighttime entertainment complex, a shopping village, conference centers, campgrounds, golf courses, water parks and other recreational facilities. The Company earns royalties on revenues generated by the Tokyo Disneyland theme park near Tokyo, Japan, which is owned and operated by an unrelated Japanese corporation. The Company's Disney Design and Development unit designs and develops new theme park concepts and attractions, as well as resort properties. The Company also manages and markets vacation ownership interests in the Disney Vacation Club.

CONSUMER PRODUCTS

The Company licenses the name Walt Disney, as well as the Company's characters, visual and literary properties and songs and music, to various consumer manufacturers, retailers, show promoters and publishers throughout the world. The Company also engages in direct retail distribution through the Disney Stores and consumer catalogs, and is a publisher of books, magazines and comics in the United States and Europe. In addition, the Company produces audio and computer software for all markets, as well as film and video products for the educational marketplace.

INVESTMENT IN EURO DISNEY

The Company is an equity investor in Euro Disney S.C.A. ("Euro Disney"), the operator of the Disneyland Paris Resort (see Note 2).

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Revenue Recognition

Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited. Television licensing revenues are recorded when the program material is available for telecasting by the licensee and when certain other conditions are met. Revenues from video sales are recognized on the date that video units are made widely available for sale by retailers.

Revenues from participants and sponsors at the theme parks are generally recorded over the period of the applicable agreements commencing with the opening of the related attraction.

Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

Debt securities are carried at cost, adjusted for unamortized premium or discount. Marketable equity securities are carried at the lower of aggregate cost or market. Realized gains and losses are determined on an average cost basis.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 115 *Accounting for Certain Investments in Debt and Equity Securities*. The Company will adopt the new standard in the first quarter of 1995, and does not expect the impact to be material to its financial condition or results of operations.

Merchandise Inventories

Carrying amounts of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs

Film and television production and participation costs are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortization is adjusted accordingly.

Television broadcast rights are amortized principally

on an accelerated basis over the estimated useful lives of the programs.

Theme Parks, Resorts and Other Property

Theme parks, resorts and other property are carried at cost. Depreciation is computed on the straight-line method based upon estimated useful lives ranging from three to fifty years.

Other Assets

Rights to the name, likeness and portrait of Walt Disney, goodwill and other intangible assets are amortized over periods ranging from two to forty years.

Risk Management Contracts

In the normal course of business, the Company employs a variety of off-balance-sheet financial instruments to manage its exposure to fluctuations in interest and foreign currency exchange rates, including interest rate swap agreements, futures, forwards and purchased options, and foreign currency forward contracts, purchased options and option combinations. The Company designates interest rate swaps as hedges of investments and debt, and accrues the differential to be paid or received under the agreements as interest rates change over the lives of the contracts. Gains and losses arising from interest rate futures, forwards and options, and foreign currency forward contracts and options are recognized in income as offsets of gains and losses resulting from the underlying hedged transactions.

Cash flows from interest rate and foreign exchange risk management activities are classified in the same category as the cash flows from the related investment, borrowing or foreign exchange activity.

Earnings Per Share

Earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

Accounting Changes

During the quarter ended June 30, 1993, the Company adopted SFAS 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions* (see Note 7) and SFAS 109 *Accounting for Income Taxes* (see Note 6) and changed its method of accounting for pre-opening costs (see Note 11). These changes, adopted retroactive to October 1, 1992, had no cash impact.

The pro forma amounts reflect the effect of retroactive application of expensing pre-opening costs on 1992 results.

Reclassifications

Certain reclassifications have been made in the 1993 and 1992 financial statements to conform to the 1994 presentation.

2. Investment in Euro Disney

Euro Disney, a publicly traded French company, operates the Disneyland Paris theme park and resort complex on a 4,800-acre site near Paris, France. Euro Disney commenced operations on April 12, 1992. The Company has accounted for its 49% ownership interest in Euro Disney using the equity method of accounting.

In 1993, Euro Disney, its principal lenders and the Company began exploring a financial restructuring for Euro Disney. The Company agreed to help fund Euro Disney for a limited period, to afford Euro Disney time to attempt a financial restructuring by spring 1994. Euro Disney's 1993 operating results and the need for a financial restructuring created uncertainty regarding the Company's ability to collect its current receivables and the funding commitment to Euro Disney. Consequently, the Company recorded a \$350.0 million charge to income in the fourth quarter of 1993 to fully reserve its outstanding receivables and funding commitment.

During the third quarter of 1994, the Company entered into agreements with Euro Disney and the lenders participating in its restructuring plan (the "Lenders") to provide certain debt, equity and lease financing to Euro Disney as part of its commitments under the restructuring plan, and recorded a charge of \$52.8 million to reflect its participation in the restructuring. In the fourth quarter, the Company recorded a charge of \$57.6 million to reflect its equity share of Euro Disney's operating results for that period.

Under the restructuring agreements, which specify amounts denominated in French francs, the Company committed to increase its equity investment in Euro Disney by subscribing for 49% of a \$1.1 billion rights offering of new shares; to provide long-term lease financing at a 1% interest rate for approximately \$255 million of Disneyland Paris theme park assets; and to subscribe, in part through an offset against fully-reserved advances previously made to Euro Disney under the Company's funding commitment, for securities reimbursable in shares with a face value of approximately \$180 million and a 1% coupon. In addition, the Company agreed to cancel fully-reserved receivables from Euro Disney of approximately \$210 million, to waive royalties and base management fees for a period of five years and to reduce such amounts for specified periods thereafter, and to modify the method by which management incentive fees will be calculated. During the fourth quarter of 1994, the financial restructuring was completed and the Company funded its commitments.

In addition to the commitments described above, the Company agreed to arrange for the provision of a 10-year unsecured standby credit facility of approximately \$210 million, upon request, bearing interest at PIBOR. As of September 30, 1994, Euro Disney had not

requested the Company to establish this facility.

As part of the restructuring, the Company received 10-year warrants for the purchase of up to 27.8 million shares of Euro Disney at a price of FF 40 per share. The terms of the restructuring also provide that, in the event that Euro Disney decides to launch the second phase of the development of its theme park and resort complex, and commitments for the necessary financing have been obtained, the Company will be entitled to a development fee of approximately \$225 million. Upon receipt of the development fee, the Company's entitlement to purchase Euro Disney shares by exercise of the warrants described above will be reduced to 15 million shares.

The Company also agreed, so long as any obligations to the Lenders are outstanding, to maintain ownership of at least 34% of the outstanding common stock of Euro Disney until June 1999, at least 25% for the subsequent five years and at least 16.67% for an additional term thereafter.

In connection with the restructuring, Euro Disney Associés S.N.C. ("Disney SNC"), an indirect wholly-owned affiliate of the Company, entered into a lease arrangement (the "Lease") with the entity (the "Park Financing Company") which financed substantially all of the Disneyland Paris theme park assets, and then entered into a sublease agreement (the "Sublease") with Euro Disney. Under the Lease, which replaced an existing lease between Euro Disney and the Park Financing Company, Disney SNC leased the theme park assets of the Park Financing Company for a noncancelable term of 12 years. Aggregate lease rentals of FF 10.5 billion (\$2.0 billion) receivable from Euro Disney under the Sublease, which has a 12-year term, will approximate the amounts payable by Disney SNC under the Lease. At the conclusion of the Sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the Lease. If Euro Disney does not exercise its option, Disney SNC may continue to lease the assets, with an ongoing option to purchase them for an amount approximating the balance of the Park Financing Company's outstanding debt. Alternatively, Disney SNC may terminate the Lease, in which case Disney SNC would pay the Park Financing Company an amount equal to 75% of its then-outstanding debt, estimated to be \$1.4 billion; Disney SNC could then sell or lease the assets on behalf of the Park Financing Company in order to satisfy the remaining debt, with any excess proceeds payable to Disney SNC.

As part of the overall restructuring, the Lenders agreed to underwrite 51% of the Euro Disney rights offering, to forgive certain interest charges for the period from April 1, 1994 to September 30, 2003, having a present value of approximately \$300 million, and to defer all principal payments until three years later than originally scheduled. As consideration for their participation in the financial restructuring, Euro Disney issued to the Lenders 10-year warrants for the purchase of up

to 40 million shares of Euro Disney stock at a price of FF 40 per share.

Pursuant to agreements executed in May 1994 with Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud, Chairman of United Saudi Commercial Bank, the Company sold Prince Alwaleed approximately 75 million Euro Disney shares for approximately \$145 million, in October 1994. As a result of the sale, the Company's equity ownership in Euro Disney was reduced from 49% at September 30, 1994 to approximately 39%. Beginning in 1995, the Company will record its equity share of Euro Disney's operating results based upon its reduced ownership interest. The quoted market value of the Company's Euro Disney shares at September 30, 1994 was approximately \$566 million.

In October 1989, Euro Disney completed its initial public equity offering of approximately \$1 billion. As a result of the offering, the Company's share of the net assets of Euro Disney exceeded its investment by approximately \$375 million. Through 1993, the Company recognized this gain ratably using an eight-year amortization period, which represented the Company's contractual obligation to manage the development and operation of the complex and maintain an ownership interest of at least 17%. Subsequent to the Company fully reserving its outstanding receivables and funding commitment during the fourth quarter of 1993, the Company discontinued recognition of gain amortization. As a result of the Company's participation in the Euro Disney financial restructuring, no further gain amortization will be recognized by the Company.

In addition to recording its equity share of Euro Disney's operating results and amortization of the gain, the Company earned \$36.3 and \$32.9 million of royalties in 1993 and 1992, respectively, under agreements with Euro Disney. The Company agreed to defer its base management fees for 1993 and 1992. As part of the Euro Disney financial restructuring, the Company permanently waived receipt of deferred base management fees.

Euro Disney's consolidated financial statements are prepared in accordance with accounting principles generally accepted in France ("French GAAP"). Under French GAAP, Euro Disney incurred a 1994 net loss of FF 1.8 billion, a net loss of FF 5.3 billion in 1993 (FF 2.1 billion before the cumulative effect of an accounting change) and a net loss of FF 188 million in 1992. During 1993, Euro Disney changed its method of accounting for project-related pre-opening costs. Under the new method, such costs are expensed as incurred. The cumulative effect of the change in method on prior years was a charge against income of FF 3.2 billion. The effect of the change in 1993 was to decrease the loss before the cumulative effect of accounting change by FF 338 million.

U.S. generally accepted accounting principles ("U.S. GAAP") differ in certain significant respects from French GAAP applied by Euro Disney, principally as they relate to accounting for leases and the calculation of interest expense relating to the debt affected by Euro Disney's financial restructuring. In addition, the U.S. GAAP treatment of receivables due from Euro Disney and canceled by the Company in connection with Euro Disney's financial restructuring differs significantly from French GAAP applied by Euro Disney. The summarized consolidated financial statements for Euro Disney set forth below are stated in U.S. dollars in accordance with U.S. GAAP.

Balance Sheet	1994	1993
Cash and investments	\$ 289	\$ 211
Receivables	227	268
Fixed assets, net	3,791	3,704
Other assets	137	214
Total Assets	<u>\$4,444</u>	<u>\$4,397</u>
Accounts payable and other liabilities	\$ 560	\$ 647
Borrowings	3,051	3,683
Stockholders' equity	833	67
Total Liabilities and Stockholders' Equity	<u>\$4,444</u>	<u>\$4,397</u>

Statement of Operations	1994	1993	1992
Revenues	\$ 751	\$ 873	\$ 738
Costs and expenses	1,198	1,114	808
Net interest expense	280	287	95
Loss before income taxes and cumulative effect of accounting change	(727)	(528)	(165)
Income tax benefit	—	—	30
Loss before cumulative effect of accounting change	(727)	(528)	(135)
Cumulative effect of change in accounting for pre-opening costs	—	(578)	—
Net Loss	<u>\$ (727)</u>	<u>\$ (1,106)</u>	<u>\$ (135)</u>
Pro forma amount assuming the change in accounting method is applied retroactively		<u>\$ (528)</u>	<u>\$ (418)</u>

3. Film and Television Costs

	1994	1993
Theatrical Film Costs		
Released, less amortization	\$ 436.7	\$ 329.0
In process	627.1	548.5
	<u>1,063.8</u>	<u>877.5</u>

Television Costs		
Released, less amortization	281.9	230.0
In process	124.7	130.1
	<u>406.6</u>	<u>360.1</u>
Television Broadcast Rights	125.8	123.3
	<u>\$1,596.2</u>	<u>\$1,360.9</u>

Based on management's total gross revenue estimates as of September 30, 1994, approximately 88% of unamortized production costs applicable to released theatrical and television productions are expected to be amortized during the next three years.

4. Borrowings

	Effective Interest Rate	Fiscal Year Maturity	1994	1993
Medium-term notes (a)	5.9%	1995-2093	\$ 948.0	\$ 783.7
Senior participating notes (a) (b)	6.0	2000-2001	722.8	312.5
Commercial paper (c)	4.9	1995	609.1	520.0
Japanese yen bonds (d)	4.8	1998	285.4	—
Securities sold under agreements to repurchase (e)	7.0	1995	57.5	437.5
Other (d)	8.4	1995-2013	314.1	332.1
	5.9%		<u>\$2,936.9</u>	<u>\$2,385.8</u>

- (a) The effective interest rate reflects the effect of interest rate swaps entered into with respect to certain of these borrowings.
- (b) The average coupon rate is 3% on \$875 million face value amount of notes. Additional interest may be paid based on the performance of designated portfolios of films.
- (c) The Company has available through 2000 an unsecured revolving line of bank credit of up to \$525 million for general corporate purposes, including the support of commercial paper borrowings. The Company has the option to borrow at various interest rates.
- (d) The effective interest rate reflects the effect of cross-currency swaps entered into with respect to certain of these borrowings.
- (e) Securities sold under agreements to repurchase are collateralized by certain marketable securities.

Borrowings, excluding commercial paper and securities sold under agreements to repurchase, have the following scheduled maturities.

1995	\$163.1
1996	116.1
1997	108.0
1998	411.1
1999	0.4

The Company capitalizes interest on assets constructed for its theme parks, resorts and other property, and on theatrical and television productions in process. In 1994, 1993 and 1992, respectively, total interest costs incurred were \$171.9, \$183.7 and \$152.1 million, of which \$52.0, \$26.0 and \$25.3 million were capitalized.

5. Unearned Royalty and Other Advances

	1994	1993
Tokyo Disneyland royalty advances	\$ 466.6	\$ 490.9
Other	<u>233.3</u>	<u>349.8</u>
	<u>\$ 699.9</u>	<u>\$ 840.7</u>

In 1988, the Company monetized a substantial portion of its royalties through 2008 from certain Tokyo Disneyland operations. The Company has certain ongoing obligations under its contract with the owner and operator of Tokyo Disneyland, and accordingly, royalty advances are being amortized through 2008. The maximum amount the Company may be required to fund under certain recourse provisions of the monetization agreement is \$145 million. The Company does not anticipate funding any significant amount under this agreement.

6. Income Taxes

	1994	1993	1992
<i>Income Before Income Taxes and Cumulative Effect of Accounting Changes</i>			
Domestic (including U.S. exports)	\$1,514.5	\$ 931.4	\$1,178.9
Foreign subsidiaries	<u>188.6</u>	<u>142.6</u>	<u>122.9</u>
	<u>\$1,703.1</u>	<u>\$1,074.0</u>	<u>\$1,301.8</u>
<i>Income Tax Provision</i>			
Current			
Federal	\$ 117.3	\$ 217.3	\$ 225.8
State	29.9	47.1	40.3
Foreign subsidiaries	84.1	63.3	46.1
Other foreign	<u>78.7</u>	<u>65.1</u>	<u>48.3</u>
	<u>310.0</u>	<u>392.8</u>	<u>360.5</u>
Deferred			
Federal	259.6	17.0	109.9
State	<u>23.1</u>	<u>(7.1)</u>	<u>14.7</u>
	<u>282.7</u>	<u>9.9</u>	<u>124.6</u>
	<u>\$ 592.7</u>	<u>\$ 402.7</u>	<u>\$ 485.1</u>

Components of Deferred

<i>Tax Assets and Liabilities</i>	1994	1993
Deferred tax assets:		
Accrued liabilities	\$ (221.3)	\$ (142.3)
Investment in Euro Disney	(133.3)	(204.6)
State income taxes	(72.9)	(71.4)
Pension and other benefit programs	<u>(26.2)</u>	<u>(27.0)</u>
Total deferred tax assets	<u>(453.7)</u>	<u>(445.3)</u>

Deferred tax liabilities:

Theme parks, resorts and other property	954.8	753.6
Licensing revenues capitalized	66.1	65.7
Interest and property taxes	73.8	52.8
Purchase accounting adjustments	49.6	51.0
Leveraged leases	175.1	111.5
Other	<u>23.5</u>	<u>33.9</u>
Total deferred tax liabilities	<u>1,342.9</u>	<u>\$1,068.5</u>

Net deferred tax liability before

valuation allowance	889.2	623.2
Valuation allowance	<u>49.8</u>	<u>49.8</u>
Net deferred tax liability	<u>\$ 939.0</u>	<u>\$ 673.0</u>

Reconciliation of

<i>Effective Income Tax Rate</i>	1994	1993	1992
Federal income tax rate	35.0%	34.8%	34.0%
State income taxes, net of Federal income tax benefit	2.1	2.2	2.8
Effect of increase in statutory tax rate on deferred taxes	-	1.6	-
Other	<u>(2.3)</u>	<u>(1.1)</u>	<u>0.5</u>
	<u>34.8%</u>	<u>37.5%</u>	<u>37.3%</u>

As discussed in Note 1, the Company adopted SFAS 109 during the quarter ended June 30, 1993, retroactive to October 1, 1992. The adoption of SFAS 109 changed the Company's method of accounting for income taxes from the deferred method to the asset and liability method. SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Differences between financial reporting and tax bases arise most frequently from differences in timing of income and expense recognition and as a result of business acquisitions. Prior year financial statements have not been restated to apply the provisions of SFAS 109.

As a result of adoption, the Company recognized a benefit in 1993 of \$30.0 million, or \$.06 per share, representing the cumulative effect of the change on

results for years prior to October 1, 1992. The cumulative effect represented the adjustment of previously recorded deferred tax assets and liabilities to reflect the lower prevailing tax rates and the establishment of previously unrecorded deferred tax liabilities. The adoption had no effect on pre-tax income in 1993.

In 1994 and 1993, income tax benefits of \$12.6 and \$144.7 million, respectively, were allocated to stockholders' equity. Such benefits were attributable to employee stock option transactions.

7. Pension and Other Benefit Programs

The Company contributes to various pension plans under union and industry-wide agreements. Contributions are based upon the hours worked or gross wages paid to covered employees. In 1994, 1993 and 1992, the costs recognized under these plans were \$13.1, \$16.1 and \$14.7 million, respectively. The Company's share of the unfunded liability, if any, related to these multi-employer plans is not material.

The Company also maintains pension plans covering most of its domestic salaried and hourly employees not covered by union or industry-wide pension plans and a non-qualified, unfunded retirement plan for key employees.

With respect to its qualified defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and/or compensation.

Net pension cost is summarized as follows.

	1994	1993	1992
Service cost of current period	\$ 35.1	\$ 29.5	\$ 23.1
Interest cost on projected benefit obligations	35.5	31.0	25.9
Gain on plan assets	(12.1)	(54.7)	(43.3)
Net amortization and deferral of unrecognized gain on plan assets	(22.0)	26.2	19.1
Net pension cost	<u>\$ 36.5</u>	<u>\$ 32.0</u>	<u>\$ 24.8</u>

The weighted average discount rate was 8.5% for 1994 and 1993 and 9.5% for 1992, and the expected long-term rate of return on plan assets was 9.5% for 1994, 1993 and 1992. The assumed rate of increase in compensation for the salaried plans was 6.3% for 1994, 6.8% for 1993 and 7.0% for 1992. The mortality table used is the 1983 Group Annuity Mortality Table for Males and Females.

The funded status of the plans and the amounts included in the Company's consolidated balance sheet are as follows.

	1994	1993
Plan assets at fair value, primarily publicly traded stocks and bonds	\$484.8	\$428.9
Actuarial present value of projected benefit obligations		
Accumulated benefit obligations		
Vested	(383.2)	(344.6)
Non-vested	(20.3)	(23.0)
Provision for future salary increases	(72.2)	(65.1)
Excess (deficiency) of plan assets versus projected benefit obligations	9.1	(3.8)
Unrecognized net loss	82.3	53.8
Unrecognized prior service cost (benefit)	(10.6)	3.2
Unrecognized net obligation	3.7	4.0
Prepaid pension cost	<u>\$ 84.5</u>	<u>\$ 57.2</u>

The Company sponsors a plan to provide post-retirement medical benefits to most of its domestic salaried and hourly employees, and contributes to multi-employer welfare plans to provide similar benefits to certain employees under collective bargaining agreements. In 1993, employees who had 20 years of service and attained the age of 62 were eligible to participate in the postretirement benefit plan. Effective March 1, 1994, benefits commence at age 65 for employees who have completed 20 qualifying years of service, worked until age 55, and who have commenced receiving monthly retirement benefits.

The Company funds its postretirement health benefit liability on a discretionary basis.

As discussed in Note 1, the Company adopted SFAS 106 during the quarter ended June 30, 1993, retroactive to October 1, 1992. SFAS 106 required accrual of postretirement benefit costs to actuarially allocate such costs to the years during which employees render qualifying service. Previously, such costs were expensed as actual claims were paid. SFAS 106 also required recognition of the unfunded and previously unrecognized accumulated postretirement benefit obligation ("transition obligation") for all participants in the Company-sponsored plan. The Company elected to immediately recognize the transition obligation, which resulted in a charge against income of \$130.3 million, or \$.24 per share, after related income tax benefit of \$71.7 million, which represented the cumulative effect of the change in accounting on results prior to October 1, 1992. Under the provisions of SFAS 106, postretirement benefit expense in 1993 exceeded the amount

under the previous accounting method by \$17.0 million after-tax, or \$.03 per share.

Net postretirement benefit cost is summarized as follows.

	1994	1993
Service cost of current period	\$ 13.5	\$ 13.9
Interest cost on accumulated postretirement benefit obligation	17.0	20.5
Actual return on plan assets	(1.1)	(8.5)
Net amortization and deferral of unrecognized gain or loss on plan assets	(15.5)	3.9
Net postretirement benefit cost	<u>\$ 13.9</u>	<u>\$ 29.8</u>

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.5% for 1994 and 1993. The expected long term rate of return on plan assets was 9.5% for 1994 and 1993.

The annual rate of increase in the per capita cost of covered health care benefits was assumed to be 7% in 1994 and 1993. The health care cost trend rate has a significant effect on the amounts reported. An increase in the assumed health care cost trend rate of 1% for each year would increase the postretirement benefit obligation as of September 30, 1994 and 1993 by \$39.2 and \$53.3 million, respectively, and the net service and interest cost components of net postretirement benefit cost for 1994 and 1993 by \$7.1 and \$8.1 million, respectively.

The funded status of the plan and the amounts included in the Company's consolidated balance sheet are as follows.

	1994	1993
Actuarial present value of accumulated postretirement benefit obligation		
Retirees	\$ 46.9	\$ 40.4
Fully eligible active plan participants	57.8	75.7
Other active plan participants	77.7	132.0
	<u>182.4</u>	<u>248.1</u>
Plan assets at fair value, primarily publicly traded stocks and bonds	(78.1)	(66.8)
Unrecognized net (gain) loss	(23.1)	30.2
Unrecognized prior service cost	129.0	—
Accrued postretirement benefit cost	<u>\$210.2</u>	<u>\$211.5</u>

In November 1992, the Financial Accounting Standards Board issued SFAS 112 *Employers' Accounting for Postemployment Benefits*. The Company currently plans to adopt SFAS 112 in 1995 and does not anticipate that the impact will be material to its financial condition or results of operations.

8. Stockholders' Equity

(Shares in millions)	Shares	Common Stock	Paid-in Capital	Retained Earnings
Balance at September 30, 1991	548.6	\$13.7	\$536.0	\$3,950.5
Exercise of stock options, net	3.6	.1	70.1	—
Dividends (\$.20125 per share)	—	—	—	(105.3)
Net income	—	—	—	816.7
Balance at September 30, 1992	552.2	13.8	606.1	4,661.9
Exercise of stock options, net	12.4	.3	256.2	—
Dividends (\$.24 per share)	—	—	—	(128.6)
Net income	—	—	—	299.8
Balance at September 30, 1993	564.6	14.1	862.3	4,833.1
Exercise of stock options, net	2.4	.1	68.8	—
Dividends (\$.2875 per share)	—	—	—	(153.2)
Net income	—	—	—	1,110.4
Balance at September 30, 1994	<u>567.0</u>	<u>\$14.2</u>	<u>\$931.1</u>	<u>\$5,790.3</u>

On February 18, 1992, the Board of Directors approved a four-for-one stock split of the Company's common stock, which was approved by the Company's stockholders and became effective on April 20, 1992. All share and per share data have been restated for all periods presented to reflect the stock split.

In June 1989, the Company adopted a stockholders' rights plan. The plan becomes operative in certain events involving the acquisition of 25% or more of the Company's common stock by any person or group in a transaction not approved by the Company's Board of Directors. Upon the occurrence of such an event, each right, unless redeemed by the Board, entitles its holder to purchase for \$350 an amount of common stock of the Company, or in certain circumstances the acquiror, having a market value of twice the purchase price. In connection with the rights plan, 7.2 million shares of preferred stock were reserved.

At September 30, 1994, and 1993, the Company's cumulative foreign currency translation adjustments were \$59.1 and \$36.7 million, net of deferred taxes of \$27.5 and \$25.0 million, respectively.

Treasury stock activity for the three years ended September 30, 1994 was as follows.

(Shares in millions)	Shares	Treasury Stock
Balance at September 30, 1991 and 1992	27.8	\$ 664.1
Common stock repurchases	0.9	31.6
Common stock trade-ins on exercised options	0.4	20.0
Balance at September 30, 1993	29.1	715.7
Common stock repurchases	13.8	570.7
Balance at September 30, 1994	<u>42.9</u>	<u>\$1,286.4</u>

In November 1984, the Company adopted a program to repurchase up to 56 million shares. In December 1990, the Company increased the authorized share repurchase amount to 90 million shares. Under this program, the Company purchased 13.8 million shares during the year ended September 30, 1994, and repurchased an additional 8.9 million shares through November 21, 1994. Since adoption of the program, a total of 75.5 million shares have been repurchased at prevailing market prices. On November 21, 1994, the Company increased the authorized share repurchase amount by 90 million.

9. Stock Incentive Plans

Under various plans, the Company may grant stock option and other awards to key executive, management and creative personnel. Transactions under the various stock option and incentive plans for the periods indicated were as follows.

(Shares in millions)	1994	1993	1992
Outstanding at beginning of year	36.4	44.3	44.8
Awards cancelled	(1.6)	(1.1)	(1.2)
Awards granted	6.5	5.6	4.3
Awards exercised	(2.5)	(12.4)	(3.6)
Outstanding at September 30	38.8	36.4	44.3
Exercisable at September 30	17.5	13.4	18.8

Stock option awards are granted at prices equal to at least market price on the date of grant. Options outstanding at September 30, 1994 and 1993 ranged in price from \$3.61 to \$47.31 and \$3.23 to \$44.06 per share, respectively. Options exercised ranged in price from \$3.23 to \$41.00 per share in 1994, from \$3.23 to \$33.35 per share in 1993, and from \$3.23 to \$32.66 per share in 1992. Shares available for future option grants at September 30, 1994 were 18.8 million.

10. Detail of Certain Balance Sheet Accounts

	1994	1993
<i>Receivables</i>		
Trade, net of allowances	\$1,328.4	\$1,180.7
Other	342.1	209.6
	<u>\$1,670.5</u>	<u>\$1,390.3</u>
<i>Other Assets</i>		
Intangibles	\$ 311.0	\$ 380.3
Other	625.8	531.0
	<u>\$ 936.8</u>	<u>\$ 911.3</u>
<i>Accounts Payable and Other</i>		
<i>Accrued Liabilities</i>		
Accounts payable	\$1,771.8	\$1,755.4
Payroll and employee benefits	638.6	661.9
Other	64.4	112.8
	<u>\$2,474.8</u>	<u>\$2,530.1</u>

11. Pre-Opening Costs

As discussed in Note 1, during 1993 the Company changed its method of accounting for pre-opening costs. In years prior to 1993, project-related pre-opening costs were capitalized and amortized on a straight-line basis over periods of up to five years. Under the new method, project-related pre-opening costs are expensed as incurred. The cumulative effect of the change in method on prior years was a charge against income of \$271.2 million, or \$.50 per share, after related income tax benefit of \$71.0 million, of which \$233.0 million related to the impact of the accounting change on the Company's investment in Euro Disney. The effect of the change was to increase income in 1993 by \$40.2 million after-tax, or \$.07 per share.

12. Segments

<i>Business Segments</i>	1994	1993	1992
<i>Capital Expenditures</i>			
Filmed entertainment	\$ 100.7	\$ 130.2	\$ 76.7
Theme parks and resorts	846.4	593.4	393.6
Consumer products	61.1	36.3	80.6
Corporate	17.9	54.0	48.2
	<u>\$ 1,026.1</u>	<u>\$ 813.9</u>	<u>\$ 599.1</u>

<i>Depreciation Expense</i>			
Filmed entertainment	\$ 49.1	\$ 38.5	\$ 29.5
Theme parks and resorts	289.2	269.2	249.8
Consumer products	38.3	26.2	16.8
Corporate	33.1	30.3	21.2
	<u>\$ 409.7</u>	<u>\$ 364.2</u>	<u>\$ 317.3</u>

<i>Identifiable Assets</i>			
Filmed entertainment	\$ 3,791.5	\$ 3,417.5	
Theme parks and resorts	5,706.9	5,216.0	
Consumer products	845.3	707.5	
Corporate	1,852.7	2,410.1	
Investment in Euro Disney	629.9	—	
	<u>\$12,826.3</u>	<u>\$11,751.1</u>	

<i>Supplemental Revenue Data</i>			
Filmed entertainment			
Theatrical product	\$ 3,734.2	\$ 2,764.4	\$2,251.7
Theme parks and resorts			
Admissions	1,179.6	1,215.6	1,193.3
Merchandise, food and beverage	1,238.1	1,232.7	1,223.1

<i>Geographic Segments</i>	1994	1993	1992
<i>Domestic Revenues</i>			
United States	\$ 7,697.6	\$ 6,710.8	\$ 6,047.7
United States export	458.0	399.8	406.0
<i>International Revenues</i>			
Europe	1,344.8	984.6	763.1
Rest of world	554.7	434.0	287.2
	<u>\$10,055.1</u>	<u>\$ 8,529.2</u>	<u>\$7,504.0</u>
<i>Operating Income</i>			
United States	\$ 1,392.7	\$ 1,591.7	\$1,402.7
Europe	405.0	121.8	39.1
Rest of world	226.0	82.5	48.4
Unallocated expenses	(58.0)	(71.5)	(54.9)
	<u>\$ 1,965.7</u>	<u>\$ 1,724.5</u>	<u>\$1,435.3</u>
<i>Identifiable Assets</i>			
United States	\$11,306.1	\$11,084.5	
Europe	1,237.8	519.7	
Rest of world	282.4	146.9	
	<u>\$12,826.3</u>	<u>\$11,751.1</u>	

13. Financial Instruments

Interest Rate Risk Management

The Company uses interest rate swaps and other instruments to manage net exposure to interest rate changes related to its portfolio of investments and borrowings and to lower its overall borrowing costs. The Company's objective is to manage the impact of interest rate changes on earnings and on the market value of its investments and borrowings. Significant interest rate risk management instruments held by the Company at September 30, 1994 and 1993 are described below.

Interest Rate Risk Management Transactions - Investments

At September 30, 1994 and 1993, the Company had outstanding interest rate swaps on its investments with notional amounts totaling \$131.3 and \$456.5 million, respectively, which effectively converted certain fixed rate securities to variable rate instruments. Under these swap agreements, which expire in two to ten years, the Company received interest at LIBOR-based rates and paid interest at a weighted average fixed rate of 7.4% at September 30, 1994.

At September 30, 1993, the Company had outstanding interest rate swaps on its U.S. dollar investments with notional amounts totaling \$350.0 million, which effectively converted variable rate

securities to fixed rate instruments. These swap agreements were terminated during 1994.

At September 30, 1994 and 1993, the Company had outstanding spreadlock contracts with notional amounts totaling \$250.0 and \$50.0 million, respectively. Under these interest rate contracts, which expire within one year, the Company will receive payments if interest rate swap spreads rise above certain levels and will make payments if interest rate swap spreads fall below certain levels.

At September 30, 1994 and 1993, the Company held positions in certain investment securities through the use of futures and forward contracts, which it hedged with interest rate swaps. The aggregate notional amounts of such futures, forwards, and interest rate swaps were \$263.5 and \$273.2 million, respectively. The contracts expire in one to eight years.

Interest Rate Risk Management Transactions - Borrowings

At September 30, 1994 and 1993, the Company had outstanding interest rate swaps on its borrowings with notional amounts totaling \$985.0 and \$1,058.7 million, respectively, which effectively converted medium-term notes and senior participating notes to commercial paper or LIBOR-based variable rate instruments. These swap agreements expire in one to 15 years.

Summary of Interest Rate Risk Management Transactions

Following is a reconciliation of the notional or contractual amounts of the Company's interest rate contracts.

	Balance at Sept. 30, 1993	Additions	Maturities/ Expirations	Terminations	Balance at Sept. 30, 1994
Pay floating swaps	\$1,431.7	\$1,047.4	\$(590.7)	\$(851.0)	\$1,037.4
Pay fixed swaps	717.6	141.8	—	(646.3)	213.1
Spreadlock contracts	50.0	300.0	—	(100.0)	250.0
Forward contracts	212.1	96.5	—	(207.9)	100.7
Futures contracts	18.7	824.3	(5.3)	(571.3)	266.4
Option contracts	65.8	727.6	(147.6)	(551.4)	94.4
	<u>\$2,495.9</u>	<u>\$3,137.6</u>	<u>\$(743.6)</u>	<u>\$(2,927.9)</u>	<u>\$1,962.0</u>

The notional amounts above reflect incremental changes in the Company's investments in each class of financial instrument. Rollforward activity, which represented renewal of existing positions, is excluded.

Foreign Exchange Risk Management

The Company enters into foreign exchange hedging contracts to protect against changes in the value of its existing foreign currency assets and liabilities and its future foreign currency revenues. The primary focus of the Company's foreign exchange risk management program is to reduce earnings volatility.

By policy, the Company maintains hedge coverages between minimum and maximum percentages of its anticipated foreign exchange exposures for each of the next five years. Most foreign exchange hedging contracts are option strategies providing for the sale of foreign currencies which hedge probable, but not firmly committed, revenues. The principal hedge currencies are Japanese yen, French francs, German marks and British pounds.

Foreign Exchange Risk Management Transactions

At September 30, 1994 and 1993, the Company had foreign currency hedging contracts with notional amounts of \$7.4 and \$4.0 billion, respectively, net of notional amounts of contracts with counterparties against which the Company has a legal right of offset, which effectively hedged \$3.3 and \$2.0 billion, respectively, of the Company's foreign exchange exposure. Foreign exchange contracts mature over one to five years.

At September 30, 1994 and 1993, the Company had \$334.6 and \$49.2 million, respectively, of borrowings denominated in yen, and \$77.2 and \$119.5 million, respectively, of borrowings converted to yen borrowings through cross-currency swaps. Cross-currency swaps, which expire in one to four years, effectively converted \$297.9 and \$54.8 million, respectively, of yen borrowings to U.S. dollar LIBOR-based variable rate instruments. The remaining yen borrowings are hedged by certain of the Company's yen royalty receipts.

Impact of Risk Management Transactions

The impact of risk management activities on income in 1994, 1993 and 1992 and the amount of deferred gains and losses from interest rate and foreign currency risk management as of September 30, 1994 and 1993 were not material.

Fair Value of Financial Instruments

At September 30, 1994 and 1993, the Company's financial instruments included cash, cash equivalents, investments, borrowings, interest rate swap agreements and other interest rate contracts, cross currency swap agreements, and foreign exchange forward con-

tracts and options. The fair values of cash and cash equivalents, commercial paper, and securities sold under agreements to repurchase approximated carrying values because of the short maturities of these instruments.

The fair values of the Company's marketable equity securities, other investments, and other borrowings approximated carrying values and the fair value of each class of hedging instruments was not material, based on broker quotes or quoted market prices or rates for the same or similar instruments.

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its off-balance-sheet financial instruments and does not anticipate nonperformance by the counterparties. The Company would not realize a material loss in the event of nonperformance by counterparties. The Company enters into off-balance-sheet transactions only with financial institution counterparties which have a credit rating of single A- or better. The Company's current policy in agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below single A-. At September 30, 1994, neither the Company nor the counterparties were required to collateralize their respective obligations under these off-balance-sheet financial instruments.

The Company's trade receivables and investments do not represent significant concentrations of credit risk at September 30, 1994, due to the wide variety of customers and markets into which the Company's products are sold, as well as their dispersion across many geographic areas, and due to the diversification of the Company's portfolio among instruments and issuers. (See Note 2 for a discussion of the Company's investment in Euro Disney.)

14. Commitments and Contingencies

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions, nor does it expect that such actions will have a material effect on the Company's liquidity or operating results as of September 30, 1994.

QUARTERLY FINANCIAL SUMMARY

(In millions, except per share data)

(Unaudited)

	December 31	March 31	June 30	September 30
1994				
Revenues	\$2,727.3	\$2,275.8	\$2,353.6	\$2,698.4
Operating income	624.4	410.0	492.6	438.7
Net income	368.6	248.4	267.5	225.9
Earnings per share	.68	.45	.49	.42
Dividends per share	.0625	.075	.075	.075
Market price per share				
High	45 3/8	48 5/8	45 1/8	44 1/4
Low	37 1/8	40 7/8	39 5/8	38 3/4
1993				
Revenues	\$2,391.4	\$2,026.4	\$1,936.8	\$2,174.6
Operating income	496.5	401.4	469.9	356.7
Income (loss) before cumulative effect of accounting changes	275.1	214.8	259.1	(77.7)
Net income (loss)	(96.4)	214.8	259.1	(77.7)
Earnings (loss) per share before cumulative effect of accounting changes	.50	.39	.48	(.15)
Earnings (loss) per share	(.18)	.39	.48	(.15)
Dividends per share	.0525	.0625	.0625	.0625
Market price per share				
High	45 1/4	47 7/8	45 1/8	41 3/8
Low	33 1/4	41 3/4	38 1/4	36

SELECTED FINANCIAL DATA

(In millions, except per share and other data)

(Unaudited)

	1994	1993	1992	1991	1990
Statement of Income					
Revenues	\$10,055.1	\$ 8,529.2	\$ 7,504.0	\$6,112.0	\$5,757.3
Operating income	1,965.7	1,724.5	1,435.3	1,094.5	1,339.1
Income before cumulative effect of accounting changes	1,110.4	671.3	816.7	636.6	824.0
Cumulative effect of accounting changes		(371.5)			
Net income	1,110.4	299.8	816.7	636.6	824.0
Per Share					
Earnings before cumulative effect of accounting changes	\$ 2.04	\$ 1.23	\$ 1.52	\$ 1.20	\$ 1.50
Cumulative effect of accounting changes		(.68)			
Earnings	2.04	.55	1.52	1.20	1.50
Cash dividends	.29	.24	.20	.17	.14
Balance Sheet					
Total assets	\$12,826.3	\$11,751.1	\$10,861.7	\$9,428.5	\$8,022.3
Borrowings	2,936.9	2,385.8	2,222.4	2,213.8	1,584.6
Stockholders' equity	5,508.3	5,030.5	4,704.6	3,871.3	3,488.6
Statement of Cash Flows					
Cash flow from operations	\$ 2,807.3	\$ 2,145.2	\$ 1,838.1	\$1,496.7	\$1,358.9
Investing activities	(2,886.7)	(2,659.7)	(1,923.7)	(1,726.3)	(1,181.9)
Financing activities	(96.7)	112.7	(35.7)	295.9	262.0
Other Data					
Stockholders at year end	459,000	408,000	310,000	189,000	175,000
Employees at year end	65,000	62,000	58,000	58,000	52,000

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants audit the Company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of four non-management Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing and financial reporting matters.

Report of Independent Accountants

To the Board of Directors and Stockholders of
The Walt Disney Company

In our opinion, the consolidated balance sheet (page 49) and the related consolidated statements of income (page 48) and of cash flows (page 50) present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the "Company") at September 30, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Notes 1, 6, 7 and 11 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes," and changed its method of accounting for pre-opening costs in fiscal 1993.

Price Waterhouse LLP

Los Angeles, California
November 21, 1994

Supplemental Information

Stock Exchanges

The Common Stock of the Company is listed for trading on the New York (principal market), Pacific, Swiss and Tokyo Stock Exchanges. Certain debt securities of the Company are listed on the Luxembourg and Swiss Stock Exchanges.

Registrar and Stock Transfer Agent

The Walt Disney Company
4130 Cahuenga Blvd., #310
North Hollywood, California 91602
(818) 505-7040

Independent Accountants

Price Waterhouse LLP, Los Angeles

Other Information

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request.

A copy of the Company's quarterly reports will be furnished without charge to any stockholder whose stock is held by a broker upon written or telephone request.

All written requests should be sent to Shareholder Services, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-7320. Telephone requests can be made to (818) 505-7040.

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